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The United States Confronts the Soviet Union 1919-1933: The Rise and Fall of the Policy of Nonrecognition

David G. Singer
Loyola University Chicago

LOYOLA UNIVERSITY OF CHICAGO

THE UNITED STATES CONFRONTS THE SOVIET UNION 1919-1933: THE RISE AND FALL OF THE POLICY OF NONRECOGNITION

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DAVID G. SINGER

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PREFACE

America and Russia lie on the frontiers of European Civilization, and armed with European technology and scientific methods, they have pushed across sparsely inhabited continents in search of wealth and national power. Within two hundred years after the first English colonists had established their straggling colonies along the Atlantic coast, many of the descendants of these colonists were populating the Pacific shores of North America. At the same time that Western Europe began its overseas expansion, the princes of Moscow launched the military expeditions that broke the grip of the Mongols over the Russian peoples. Russia then began her march to the Pacific. The Russian explorers and military adventurers encountered little resistance from the primitive Siberian tribes and close behind the Cossacks came fur traders and peasant farmers. On the shores of the Pacific Ocean, Russia and the United States met, and the relations between the two nations were generally friendly throughout the nineteenth century.

In February 1917, the Russian Imperial Government was overthrown and the Provisional Government was established. Eight months later, however, the Bolsheviks had seized power and proclaimed a revolutionary state dedicated to the overthrow of capitalism throughout the world. Nevertheless, in spite of

the avowed aim of the Soviet state, the United States sided with Soviet Russia when Japan and China tried to seize Russian property and land during the period 1919-1929. Ironically, it was the foremost capitalist nation, the United States, which saved the Far Eastern provinces of Soviet Russia from her enemies at a time when the two nations did not even have formal diplomatic relations.

Herbert Hoover had played an important role in the formulation and execution of the policy of nonrecognition while he served as the administrator of American relief in Europe after World War I and later as Secretary of Commerce. The policy of nonrecognition was extremely successful in the years 1919-1929: the spread of Bolshevism in Europe had been checked, Russia had been opened to American economic penetration, and with Lenin's adoption of the New Economic Policy in 1921, she appeared to be moving towards capitalism. In 1928, Hoover achieved the supreme goal of his public life--the presidency. Yet within a year after his election, he was faced with the most serious economic crisis in the history of the United States --the depression of 1929. American businessmen and intellectuals began to clamor for the establishment of diplomatic relations with the Kremlin which, they hoped, would stimulate American foreign trade with Russia. Hoover, however, steadfastly opposed American recognition of the Communist regime.

The Japanese invasion of Manchuria in September, 1931 dealt the final blow to the policy of nonrecognition. Only one other power felt as threatened as the United States by the

Japanese action in Manchuria--the Soviet Union. President Hoover, however, continued to insist that Communist Russia and not Japan was America's major enemy in the Far East, but the demand of American businessmen for a change in America's foreign policy as well as in her internal social organization was too strong. Hover's overwhelming defeat in the election of 1932 foreshadowed the end of the nonrecognition policy.

In the preparation of this dissertation, I want to thank Dr. Paul S. Lietz, the former chairman of the history department at Loyola University of Chicago, and Dr. Lawrence McCaffrey, the present chairman, for help given me. I am particularly indebted to Dr. Ralph E. Minger, professor of United States diplomatic history at Loyola University and chairman of my doctoral committee for his kind assistance and advice. The director of the Herbert Hoover Presidential Library at West Branch, Iowa, Thomas T. Thalken, and the librarian, Mrs. Ruth Dennis, permitted me to use the archives at the library, and they searched for materials relevant to this dissertation.

For the use of the Stimson Papers at the Sterling Memorial Library at Yale University, I am indebted to the University Librarian, Rutherford Rogers, and to the Associate Librarian for Historical Manuscripts and Archives, Herman Kahn. I also want to thank the library staff of the National Archives of the United States, headed by Patricia Andrews, for having provided access and guidance to the State Department records concerning American-Soviet relations, 1929-1933. The staff at

The Library of Congress, directed by L. Quincy Mumford, provided additional valuable materials. I am indebted to the University of Chicago for having permitted me to use the University Libraries which are among the finest in the United States. The library staff, headed by Herman Fussler, was always helpful and courteous.

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PART I

THE RISE OF THE POLICY OF NONRECOGNITION

CHAPTER I

THE POST-WAR STABILIZATION OF EASTERN AND CENTRAL EUROPE

Although he was an uncompromising enemy of the Soviet regime, Hoover understood the social forces which erupted in 1917 and swept away tsarist society. On a visit to the Russian estate of Leslie Urquhart shortly before the outbreak of the First World War, he personally witnessed the suffering and degradation of the Russian masses. He was revolted, he wrote, at the sight of a long line of people, chained together, and awaiting deportation to Siberia; this incident led him to believe that a social upheaval in Russia was inevitable.[1]

Hoover regarded the Bolsheviks, on the other hand, as opportunists who took advantage of the despair and the war-weariness of the Russian people to overthrow the Provisional Government. Because of the circumstances under which it came into existence, he felt the Soviet Union was a miscreant which would eventually collapse from its own internal contradictions. Soviet society was based on an erroneous concept of man's basic nature, and, because of this, the Soviets could not even temporarily satisfy the gnawing demands for adequate food and

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[1] Herbert Hoover, Memoirs (New York: Macmillan Co., 1951), I, 103.

shelter in Russia. This became an article of faith to Hoover, equal in its intensity to the denunciations and predictions of imminent doom hurled by the Hebrew prophets at ancient Israel.

The Soviet leaders, Hoover thought, were not content with destroying Russia, but were intent on spreading their perfidious system throughout Europe by feeding on the social unrest and hunger generated in the aftermath of World War I. After the war, 220 million Europeans had been liberated from alien rule and permitted to establish their own national states. There were terrible food shortages, particularly in the cities, in these new nations of Central and Eastern Europe. The Communists, Hoover wrote, "found so receptive an audience in hungry people that Communist revolutions at one time or another seized a dozen large cities and one whole country--Hungary."[1] With this situation in mind, he urged the United States, in December, 1919, to sell surplus American grain on moderate terms to the nations of Central Europe. He warned the American Congress that if it did not take immediate action there would be a breakdown of stable governments there and the United States would face "another cesspool like Russia" in the middle of Europe.[2]

Hoover felt that American capitalism, in contrast to Soviet communism, was based on sound assumptions concerning human nature, among them, that man is naturally selfish and self-seeking. This, he asserted in a speech delivered in August,

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[1] Ibid., p. 30.

[2] New York Times, December 18, 1919, p. 1.

1919, is the only basis on which initiative in any society can be maintained.[1] The error of the socialists, he said, was that they tried to use altruism as an inadequate substitute for self-interest; but the human race had not advanced to the point at which a socialist industrial system can function efficiently. Hoover pointed to the economic chaos in Soviet Russia under War Communism as testimony to the truth of this assertion. American democracy, he stated, permits social mobility of a kind which enables each individual to reach a social level commensurate with his character and ability. Socialism, on the other hand, is not only based on a misconception of man, but through the imposition of a vast bureaucratic structure, further suppresses the individual's primary impulse: concern for himself and his family and a certain amount of group altruism arising from his racial and individual intelligence.[2] Furthermore, this socialist bureaucracy had led to a tyranny in Russia more terrible than that of the tsar. Even Lenin, Hoover concluded, soon had to recognize that socialism simply did not work and was forced to re-establish capitalism in Russia.[3]

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[1]Excerpts from Northwestern Miller Speech, August 21, 1919, Herbert Hoover Papers at Hoover Presidential Library at West Branch, Iowa, AG 1: Box 82.

[2]Speech in New York City, September 16, 1919, Hoover Papers, AG 1: Box 25.

[3]Speech in Washington, D.C., May 15, 1922, Hoover Papers, AG 1: Box 227. Hoover had reference to the New Economic Policy, proclaimed in 1921. Also, in March of 1921, popular uprisings broke out in Kronstadt and Petrograd which led Washington to believe that the end of the Soviet state was imminent.

Hoover was personally acquainted with Bolshevik management of the Russian economy. Prior to the Revolution, the Bolsheviks had disseminated propaganda among the workers of the Urquhart estate in which he held a part interest. This Bolshevik agitation had resulted in the expulsion and murder of the Russian technical staff in 1917, but after only one week of Soviet administration of the estate, the metallurgical plant was shut down because of mismanagement and technical ignorance.[1]

Despite his hostility towards the Soviet regime, he opposed American participation in the Allied military intervention in Russia.[2] In a letter written to President Wilson in the spring of 1919, he pointed out that if the United States participated in the intervention, she would have to compromise her own national interests because she would be only one of four participating nations.[3] Moreover, the Allied intervention would probably last for several years, and would involve the United States in Allied efforts to aid the reactionary classes who had ruled the Russian Empire. The majority of the Russian people rejected the restoration of tsarist society, and therefore he concluded that the Allied intervention could not

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[1]Hoover, Memoirs, I, 105. Hoover denied both that he held property interests in the Urquhart estate in 1917, and that the Soviet nationalization of the estate affected his policies towards the Soviet Union.

[2]Hoover was not alone in opposing the American intervention; as early as December, 1918, Senator Hiram Johnson of California demanded that the Wilson Administration explain its military action in Russia when Congress had not declared war.

[3]Ibid., I, 412.

succeed. For this reason, too, Hoover, as the head of the American Relief Administration, refused to aid the Russian counter-revolutionary armies.

The State Department asked him in 1919 to expand his relief efforts in Estonia to include those areas under the control of General Yudenitch. Hoover completely rejected this request.[1] Actually, a relatively small amount of food was sent by the A.R.A. to those areas under Yudenitch's control, but with the specific understanding that it was only for non-combatants. Much of the food, however, fell into the hands of the White troops, and the government of Admiral Kolchak compensated the A.R.A. in Russian gold securities.[2] Furthermore, Hoover formulated plans to furnish Petrograd with foodstuffs after the Bolsheviks were overthrown.[3]

The Bolsheviks, however, remained in power and the United States adopted a policy based on the economic penetration of Russia rather than on military force. While the Harding Administration refused to recognize the Soviet Government, it also refused to establish diplomatic relations with the new governments in the Baltic states and in the Caucasus, with the

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[1]Similarly, Hoover later insisted that the Red Army was not to be given any food provided by the A.R.A. for Russian relief.

[2]U.S., Department of State, Papers Relating to the Foreign Relations of the United States: 1919, Russia (Washington: Government Printing Office, 1937), p. 700. Hereafter designated as FRUS.

[3]Ibid., p. 636.

exception of Armenia. Secretary of State Colby clearly enunciated this policy in August, 1920 when he informed the Italian Ambassador to the United States that Washington opposed the dismemberment of Russia and would recognize only Finland, Poland, and Armenia among those nations torn from the former Russian Empire. In September, 1920, the United States advised the Warsaw government not to invade Russian ethnic territory, but this advice was rejected on the basis of Poland's need for a defensible border. Hoover concurred with Colby's policy. He felt that the annexation by Poland of lands inhabited by Russians and Ukrainians might lead to another war in Eastern Europe.

While the Allied intervention against Bolshevism in Russia did not receive popular support either in the war-weary nations of Western Europe or in the United States, the Turkish massacre of the Armenians aroused the sympathy of the entire Christian world. In May, 1919, the British and French governments, acting out of both humanitarian and practical considerations, suggested to President Wilson that the United States should establish an American mandate over all of ethnic Armenia and the Dardanelles area, including Istanbul. President Wilson was attracted to this idea, but Hoover vigorously opposed it because, he said, it would lead to direct American involvement in European politics. Moreover, he estimated that the United States would have to maintain a force of 150 thousand troops in the Black Sea area, which might lead to a war with Russia or Turkey. Although the United States recognized the independence

of Armenia, which was composed entirely of former Russian provinces, the Senate, at the beginning of June, 1920, overwhelmingly rejected the proposal that the United States establish a mandate over Armenia. Shortly thereafter, Soviet forces invaded Armenia and forced it to join the Soviet Republic.

After years of foreign war and civil conflict, Soviet Russia was faced with mass starvation in the early 1920's. When the Kremlin appealed to America for help, the United States responded generously and promptly, thereby saving the lives of millions of Russians and Ukrainians. As the director of American relief efforts in Eastern Europe, Hoover also sought to stabilize the governments on Russia's western borders and to facilitate the economic penetration of Russia by American interests. After the fall of Bela Kun's government in 1919, the heir to the Hapsburg throne, Archduke Ferdinand, became the head of the Hungarian Government. But the restoration of the Hapsburg monarchy, Hoover felt, would frighten the other nations carved out of the former Austro-Hungarian Empire, and would obstruct the creation of an anti-Soviet alliance system in Central Europe. Consequently, he warned Budapest that the United States would not recognize a Hungarian government headed by Ferdinand, and he urged the Hungarians to replace the throne with a republican form of government.

Under the terms of the aid agreement of December, 1921, the Soviets were required, without delay, to transfer $10 million in gold to the American Relief Administration. The United

States also stipulated that it would accept only that gold which had been under the control of the Russian Empire in August, 1914.[1] Although Lenin openly denounced these demands as arrogant and grasping, the Soviet Government had no choice but to consent to the American terms.[2] In a communication with his associate, William Haskell, Hoover pointed out that the Soviets could hardly expect aid from the United States until they had exhausted every reserve at their disposal. In actuality, the Harding Administration had demanded that the Soviets pay for American relief in gold for sound political and economic reasons.

American agriculture had been in a depressed condition before 1914 and revived only under the stimulus of the World War. As Europe began to recover from the devastation of the war, American farmers were again confronted with a mounting surplus of food. The export of grain to Soviet Russia alleviated the depression in American agriculture, and millions of Russians and Ukrainians came to regard the United States as their benefactor. At the same time, the United States weakened the Soviet regime by demanding payment in gold that, Hoover alleged, might have been used to disseminate Communist propagands. He insisted too that the Kremlin release all Americans

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[1]U.S.S.R., Ministry of Foreign Affairs Dokumenty Vneshnei Politiki SSSR, IV (Moscow: State Printers of Political Literature, 1960), p. 612. Hereafter designated as DVP.

[2]In May, 1919, the Soviets had insisted on a cessation of the civil war and an end to the Allied intervention as a prior condition for American relief in Russia.

held in Soviet prisons as a further condition for American relief work.[1]

The number of Americans held by the Soviets was few in comparison to the vast number of Russian prisoners of war retained by the Allies in German camps. The future of these Russian troops was a matter of great concern to the Allies, the Bolsheviks, and the Russian counter-revolutionaries. After the Germans signed the Armistice in November, 1918, two million of these men began to straggle back to Russia, the first thousands of whom were reported to have been recruited into the Red Army. While this strengthening of the Soviet forces represented a danger to the nations of Eastern Europe, the continued presence of these men in Germany was a serious problem for the German Republic. In April, 1919, the Munich Revolutionary Council ordered the immediate release of all Russian prisoners of war in Bavaria, an action which strengthened the position of the German Communists.[2]

The Soviets, for their part, alleged that the Allies had attempted to win recruits among the Russian war prisoners for the White armies, and since Hoover was responsible for feeding the Russian prisoners in Germany, he was accused of having played an important role in this anti-Soviet effort. In a note to the Allied governments, the Kremlin called their

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[1]The Soviets agreed to this release after Senator Joseph Francis had concluded commercial discussions with them in July, 1921.

[2]Among those released was the Bolshevik revolutionary, Axelrod.

attention to a memorandum presented by Hoover to the representatives of the United States, Great Britain, France, Italy, and Japan in July, 1918 in which he offered to direct 25 thousand Russian prisoners of war to the White Northern Army and an additional 40 thousand to Denikin's army.[1] In April, 1919, the Soviet Commissar for Foreign Affairs, George Chicherin, sent another note to Washington and London protesting their delay in the repatriation of the Russian prisoners in Germany. The Kremlin blamed Hoover in part for this delay, and he in turn blamed the French Army which feared that the repatriated Russians would strengthen the Soviet forces.

In the summer of 1919, there were still more than 200 thousand Russian prisoners in Germany, and neither the German guards nor the American officers in charge of the camps knew what to do with them. They were not properly cared for in the camps in East Prussia, but if transported across the border, the Americans, like the French, feared that they would be inducted into the Red Army.[2] It was under these circumstances that Hoover wrote a memorandum to the Allied Council in which he estimated that only 25 thousand out of the more than 200 thousand prisoners could be recruited for the Russian White armies. Most of the men, he noted, did not have any political beliefs, but merely wanted to return to their homes and families.

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[1] DVP, II, 37.

[2] According to an official anti-Communist Russian report to Washington, 600 repatriated officers were executed because they refused to serve in the Red Army.

The controversy over the future of the Russian prisoners of war subsided with the end of the civil war and the withdrawal of the Allied forces from Russia.

The White Russian armies had failed to defeat the Soviet forces; the United States, therefore, sought to modify the Soviet system through more subtle and effective means. To fully impress the Russian masses with the power and generosity of the United States, Hoover wanted only religious and politically conservative organizations to participate in the alleviation of the famine in Russia.[1] In a letter to President Harding, he wrote that "American charity . . . should be distributed in the name of America, under active American personnel."[2] By this, he meant that such organizations as the Friends of Soviet Russia and the Soviet Russian Medical Relief Society should be excluded from the relief program.[3] The head of the Russian Red Cross, in his opinion, was merely an agent for the Soviet Government, and he felt that the director of the American Committee for Russian Famine Relief, Walter Liggett, was a fellow traveler. Liggett had rejected Hoover's request that he co-ordinate his organization's relief efforts with the American Relief Administration, but instead chose to

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[1]These included the American Red Cross, the American Friends Service Committee, and the American Relief Committee.

[2]Hoover to Harding, February 9, 1922, Hoover Papers, AG 1: Box 203.

[3]The Soviet Government agreed in August, 1921 that the A.R.A. would be the only organization with control over the distribution of food supplies in Russia.

co-operate with the Russian Red Cross. Although a number of prominent individuals, including senators, congressmen, and clergymen, had endorsed the American Committee, Hoover denounced it as Communist front organization.[1] While he may have been correct in this, the incident also reveals a tendency in American society to attack all left-of-center dissenters as Communist sympathizers.

Nevertheless, the A.R.A., an official agency of the American Government, did save the lives of millions of people in Eastern Europe, and the Kremlin itself was impressed by the generosity of the United States. On July 10, 1923, the Council of the People's Commissars thanked the American people in general and Hoover and the A.R.A. in particular for their humanitarian work in Russia. At the same time, conditions in Eastern and Central Europe were stabilized, and the Communists were defeated in Hungary, Finland, and Germany. This gave the French the basis for the cordon sanitaire on the European borders of the Soviet Union.

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[1]Hoover explained that these individuals, including Senator Robert LaFollette of Wisconsin, Governor Lee Russell of Mississippi, and Cardinal William O'Connell of Massachusetts, were unaware of the actual political orientation of the American Committee.

CHAPTER II

THE ECONOMIC PENETRATION OF SOVIET RUSSIA BY THE UNITED STATES

Within its sprawling borders, the Russian Empire had immense reserves of coal, petroleum, timber, and iron-ore as well as other rich mineral deposits. With a large, exploitable working population, Russia had begun to industrialize well before the October Revolution. However, most of the capital which had built her factories and railroads was British and French, and the lucrative profits from her rapidly developing industries had attracted the attention of American financial interests too.

Even while the World War was raging in Europe, the Vice-President of the National City Bank of New York City, William Kies, predicted that Russia would be a fertile field for American investments after the War.[1] A year after this prediction was made before the Republican Club of New York City, the Bank's executive manager told a group of Boston bankers that because of her post-War industrialization, the interests

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[1] William S. Kies, A Permanent Foreign Trade and Its Problems (New York: National City Bank of New York City, 1916), p. 15.

rates in Russia would be very lucrative.[1] The National City Bank had already made substantial investments in the Russian Empire before 1914, among them a half interest in the Russian Vacuum Oil Company.[2] In April, 1916, the Bank purchased 11 million dollars in Russian Treasury notes, and after the collapse of the tsarist government, the Bank acted as the financial agent of the Provisional Government in the United States. When the Bolsheviks seized control of Petrograd, the National City Bank, in conjunction with the Equitable Trust Company and British financial interests, floated a large loan to aid the anti-Bolshevik forces.[3]

The National City Bank still had such high expectations that Russia would be a profitable area for American investments that an assistant to the president of the Bank even justified the Bolshevik coup d'état. In an address given in December, 1918 before the Investment Bankers Association of America, he explained that "the spirit which finds its blind expression in Bolshevism has its inception in the desire for better living

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[1]Samuel McRoberts, Russia (New York: National City Bank of New York City, 1917), p. 18.

[2]Most of the American capital, however, which had been invested in tsarist Russia was found in trade, finance, and insurance with two exceptions--International Harvester and the Otis Elevator Company. Furthermore, only six large American firms held investments of any kind in the Russian Empire.

[3]William A. Williams, American-Russian Relations 1781-1947 (New York: Rinehart & Co., 1952), p. 85.

conditions."[1] Furthermore, he said, the United States could have any amount of trade with any part of the world, including Soviet Russia, if American business interests would finance this trade under terms satisfactory to the Russians. But American financial interests were to be disappointed in their expectations of lucrative investments in Russia. In spite of Lenin's adoption of the New Economic Policy in 1921, the American Bankers' Association took a very pessimistic view of commercial relations between Russia and the United States in 1922.[2]

Among the first acts taken by the Bolsheviks after their coup d'état were the nationalization of all foreign property in Russia, and the complete repudiation of debts incurred by the Imperial and Provisional Governments. But Soviet Russia, despite state control of the Russian economy, assumed an importance for American manufacturers and exporters never envisioned by American financial interests. Ironically, the economic penetration of Russia by the United States began after the October Revolution.

The Soviets needed foreign industrial capital and skills to rebuild Russia's shattered economy. In their attempt to reconstruct and accelerate the pace of Russia's industrial

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[1]George E. Roberts, A Creditor Country (New York: National City Bank, 1918), p. 17. Also in the spring of 1917, the National City Bank organized the American-Russian Chamber of Commerce in conjunction with several other banks and the New York Life Insurance Company.

[2]Committee on Commerce and Marine of the American Bankers' Association, Russia (New York: American Bankers' Association, 1922), p. 1.

development, they were particularly interested in copying American industrial and engineering techniques. The United States was the richest and most highly industrialized nation in the world, and they naturally looked to her as their industrial model.[1] Moreover, only Russia and the United States among the Great Powers had the problem of massive industrialization over great distances so that American industrial and engineering techniques were particularly applicable to Russia's problems. Even while conducting commercial discussions with Great Britain in June, 1922, the Soviets indicated that they preferred to trade with the United States because of her ability to quickly supply them with locomotives, rolling stock, agricultural implements, and other materials on a larger volume than could the British.[2]

While Germany, France, and Great Britain had to devote their energies to the reconstruction of their war-torn economies, the United States had a surplus of capital and industrial skills which she was eager to export. Only one month after the Armistice, the War Trade Board of the United States announced that it had made definite plans to reopen trade on a large scale with those parts of Russia that were not controlled by the Germans and the Bolsheviks. These areas included Finland and Siberia,

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[1] In his report to the Fourteenth Party Congress held in 1925, Stalin acknowledged the economic strength of the United States, and that the financial center of the world had shifted from Europe to North America.

[2] New York Times, June 3, 1922, p. 17.

and involved assistance to the Czech Legions in the Russian Far East.

After the Russian civil war had ended, the three Republican administrations between 1921 and 1933 struggled to direct American economic relations with the Soviets in a manner that would serve the long term interests of the United States as well as her immediate need for access to foreign markets. In a statement to the American press in March, 1921, Hoover declared that as long as Russia was controlled by the Communists, commercial relations with her were more of a political than an economic question. Anyway, he continued, after the Soviets had exhausted their reserves of gold, platinum, and other precious metals, they would have nothing with which to pay for their imports from the United States.[1] In Hoover's opinion, the Russians were faced with the choice of going bankrupt or abandoning their socialist schemes which had failed to revive the economy of their country.

While it was certainly true that Russia had little to export to the United States in the early 1920's, Washington's policy of accepting indirect payments in gold for American goods was motivated too by a desire to modify the Soviet system. In January, 1922, Litvinov thanked America for her gift to Russia of grain valued at 10 million dollars, but he added that the Soviet Government would have appreciated it more if they had not lost thirty to forty million dollars in gold to Western

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[1] Hoover Press Conference, March 21, 1921, Hoover Papers, AG 3: Box 260.

Europe during the previous two years. Because of the American prohibition on direct Russian gold shipments, he complained, British, French, and Swedish bankers had gleaned that amount of gold from Russia in 1920 and 1921.[1]

Although the State Department had lifted the embargo on American trade with Russia in July, 1920, the United States banned Soviet gold imports on the ground that they had been illegally seized by the Bolsheviks. The Soviet Government then simply transferred their gold to West European bankers who served as middlemen between Russia and the United States, and in spite of the law, Soviet gold continued to flow into American coffers throughout the 1920's.[2] Even the gold that was transmitted in this manner was only a fraction of the nearly one billion dollars in Russian gold that ultimately came under the control of the United States. Undoubtedly, this gold contributed to the enormous economic expansion of the United States in the period 1914-1928.

With her gold reserves greatly depleted, Soviet Russia had to accept short-term credit arrangements with American export firms. During the 1920's, large American corporations could have easily granted long-term credit to the Kremlin without any great inconvenience to themselves. But in the absence of diplomatic relations and a commercial treaty between Washington and

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[1] New York Times, January 8, 1922, p. 1.

[2] FRUS: 1928, III, 827-28. Theoretically, the United States also banned Russian gold which was sent via a third country with the imprint of that country's government on it.

Moscow, American business interests were naturally reluctant to carry Soviet bills in their files over a long period of time.

The magnitude of the volume and distances involved in American trade with Russia during the 1920's restricted this trade to a few large corporations, a development which Hoover welcomed and encouraged. Early in 1922, The Guaranty Trust Company asked the Harding Administration for its views on a proposal to establish commercial relations with the New State Bank in Moscow. Hoover wrote to Secretary of State Hughes that it was generally the Administration's policy not to interfere in those commercial relations which had been established by private interests at their own risk. Moreover, Hoover wrote, it might be advantageous to the United States to have these transactions with the Kremlin organized in such a manner that Washington would have decisive control over the situation "instead of the disintegrated operations now current."[1] Hughes concurred with Hoover's judgment. The Harding Administration held the same view regarding American industrial relations with Soviet Russia. In March, 1922, Hughes advised Hoover that the United States would not place any obstacles in the way of several large manufacturing firms, including International Harvester and the Westinghouse Company, that wished to do business with the Soviets. Since both companies had held property in tsarist Russia, Hughes felt that if they tried to

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[1]Memorandum by Hoover to Hughes, January 10, 1922, Hoover Papers, AG 3: Box 259.

resume the management of their Russian property, they would be doing so at their own risk.[1]

In contrast to this policy towards large American corporations and banks, Hoover discouraged small concerns from establishing business relations with Soviet Russia. The president of a small steel company, the Taylor-Wharton Iron and Steel Company of High Bridge, New Jersey, wrote to Hoover in 1922 of his intention to send a Russian-born engineer of German descent to the Soviet Union in order to sell their products and modernize the Russian gold mining equipment. In his answer, Hoover wrote that the Harding Administration would have no objection to such an undertaking, but that it could not protect the lives and property of American citizens in Soviet Russia.[2] Furthermore, he warned that Americans seeking to do business in Russia were subject to travel restrictions, constant surveillance by the Russian secret police, and the inconvenience of state control of the Russian economy. In any case, he concluded, there already were a number of American businessmen in Russia who had had little success in their attempts to conduct business there.

The Hoover-Hughes policy of encouraging only the largest firms to engage in trade with the Soviets was based on a desire

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[1]Letter of Hughes to Hoover, March 22, 1922, Hoover Papers, AG 3: Box 259.

[2]Letter of Hoover to Knox Taylor, March 2, 1922, Hoover Papers, AG 3: Box 259. Hoover might have disliked the prospect of increased Russian gold production which would strengthen the Soviet economy, but he made no mention of this in his letter to Taylor.

to control American economic relations with Soviet Russia. Also, large American corporations were so wealthy or so intimately connected with large banks that they could easily finance their exports to Russia. Small American firms, on the other hand, had to seek unusual means to finance their exports to Soviet Russia because they lacked sufficient capital reserves and banks would not ordinarily finance their export trade.

Altogether, the commercial policy of the Harding and Coolidge Administrations towards the Soviet Union was unusually successful. Despite the absence of diplomatic relations, American exports to the Soviet Union annually grew in volume during the 1920's, except for a temporary decline in 1926. In that year the Soviets placed an increased number of their industrial orders with German manufacturers who had offered them credit extending over a period of two or three years. But the Soviets were unable to conclude a satisfactory commercial treaty with Germany, and in 1927, the volume of American exports to Russia rose above that of 1925. By 1930, the Soviet Union was eighth among the foreign markets of the United States, but first in the purchase of agricultural machinery and second in industrial equipment.

Throughout the 1920's, and particularly at the beginning of each presidential administration, the Kremlin hoped that the growing volume of trade with the United States would persuade her to recognize the Soviet Government. As early as December, 1920, the Commissariat for Foreign Affairs reported to the Eighth Soviet Congress that "the ruling classes of the United

States are beginning to see what great perspectives will open up before them if they establish relations with Soviet Russia."[1] Therefore, the Commissariat concluded, after less than two months in office, the Republican Party has begun to consider the establishment of diplomatic relations with Moscow. In March, 1921, the All-Russian Central Executive Committee sent a message to the Harding Administration asking that it establish normal commercial and financial relations with Soviet Russia, which would entail recognition of the Soviet Government.

The Harding Administration quickly announced that it would adhere to the policy of nonrecognition.[2] But several months after President Coolidge took office, the Soviets were greatly encouraged by a statement from the White House that the United States would hold talks with them concerning American diplomatic recognition if they would honor their international obligations and renounce communism.[3] In response to this, Chicherin sent a note to the President in December, 1923 stating that the Soviets were willing to enter into such discussions. Secretary of State Hughes rejected this offer. In spite of this rebuff, the Soviet press during the 1920's eagerly reported every

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[1] DVP, II, 661.

[2] Hughes informed Moscow that there was no reason to conclude a commercial treaty between the United States and Russia until her productivity had been restored, which entailed the restoration of capitalism there. FRUS: 1921, II, 763-64.

[3] Pravda, December 18, 1923, p. 2. The Soviets adopted the New Economic Policy in 1921 and appeared to be moving towards capitalism.

speech and action in the United States that indicated a modification in the policy of nonrecognition.[1] But by December, 1925, Chicherin had to admit that the economic ties between the United States and Soviet Russia were not leading to American recognition of the Soviet Government.[2]

In a statement to the chairman of the Republican National Committee in February, 1928, Secretary of State Kellogg pointed out that American trade with Soviet Russia was flourishing without diplomatic relations while British and German trade with Russia had declined in the period 1923-1927. Kellogg's statement was particularly poignant because after Great Britain and Germany had recognized the Soviet Government, their relations with the Kremlin were strained by several incidents which occurred at the Soviet Embassies in London and Berlin. These facts were repeatedly emphasized by Hoover, Hughes, and other members of the Harding and Coolidge Administrations.

Part of the success of the Harding-Coolidge policy towards the Soviet Union was due to the failure of Great Britain and France to settle their claims against Russia at the Genoa and Hague Conferences. At Genoa, the British Prime Minister

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[1]An editorial in Pravda on December 15, 1923, for example, asserted that the post-War depression in the United States and the revival of her economy partly because of her trade with Russia would lead to recognition of the Soviet Union. While Russia needed American capital goods, Pravda explained, the United States needed foreign markets, as well as Russian petroleum.

[2]George V. Chicherin, Stati i Rechi Po Voprosam Mezhdunarodnoi Politiki (Articles and Speeches Concerning Questions of International Politics, Moscow: Printers of Social-Economic Literature, 1961), pp. 472-78.

told Chicherin that the Soviets were obligated to recognize Russia's pre-1914 debts and the war debts incurred by the Imperial and Provisional Governments as well as to grant compensation for their nationalization of foreign property in Russia.[1] But the Soviet Government refused to recognize Russian foreign debts unless it received a large, low-interest loan from Western Europe. When London and Paris refused to grant such a loan, the Soviets withdrew all offers of future concessions in Russia that they had made at Genoa, and repudiated Russia's foreign debts.

The absence of an American delegate at the Genoa Conference not only served the interests of the United States, but was also an important factor in helping the Soviets to resist the Anglo-French demands made at Genoa.[2] In April, 1922, Lloyd George pleaded for American participation in the Conference because otherwise, he said, it would fail--an opinion gleefully shared by the Soviet Government.[3] In a statement to the American press, Trotsky acknowledged that the United States had gained more by abstaining from the Conference than by participating in it. But he warned her against any attempt to take advantage

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[1]The total foreign claims against Soviet Russia amounted to 60 billion gold francs; thereupn, Chicherin raised a counterclaim of 300 billion gold francs as compensation for property destroyed during the Allied intervention in Russia.

[2]However, the United States did send unofficial observers to both the Genoa and Hague Conferences.

[3]New York Times, April 27, 1922, p. 1; Pravda, May 3, 1922, p. 1.

of this to dictate the terms of an economic settlement with Soviet Russia.[1]

The Genoa Conference was quickly followed by another international meeting at The Hague over the question of the Russian debts. The United States declined to attend this meeting too, but the indications of an economic rapprochement between Washington and Moscow were even more evident at this conference than at Genoa. Assured of a flow of capital goods from the United States, Litvinov asked Western Europe for credit totalling 1 billion 600 million dollars as the price for Soviet recognition of the Russian debts. Since the Kremlin was hard-pressed financially, it further stipulated its desire for a moratorium on the Russian foreign debts. In return for this, the Soviets announced that they were ready to grant a large number of economic concessions in Russia, which, significantly, did not involve any former American property.

Early in May, 1922, the Soviet press reported that Secretary of State Hughes had laid down four conditions for American recognition of the Soviet Government, and that these included guarantees for the personal safety of Americans and their property in Russia. The success of the Harding-Coolidge economic policy towards Soviet Russia was reflected in a Soviet decree of May 22, 1922, which guaranteed the inviolability of foreign economic enterprises in Russia except those that would violate Soviet law or threaten the Soviet state. The Kremlin told the

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[1] Pravda, May 7, 1922, p. 3.

American press that this decree largely fulfilled Hughes' stipulations concerning the rights of foreign property in Russia. However, the government in Washington wanted much more than a Soviet promise to respect the rights of foreign property in Russia: the United States wanted the Kremlin to abandon its control over the Russian economy, particularly over foreign trade, and to open Russia to American investments.[1]

In a confidential Department of Commerce memorandum, written in 1922, Hoover noted that while our trade with Russia was flourishing, the really important question in American-Soviet relations was that of American investments in Russia.[2] Without such investments, he wrote, trade between the two countries would eventually contract because Russia would eventually exhaust her gold reserves and be unable to pay for American goods. In a public speech before the International Chamber of Commerce as well as in his memorandum, he warned that the Soviet Government itself would have to establish an economic situation that would attract foreign investments.[3]

Hoover also severely criticized the Soviet Government for its tight hold over Russia's foreign trade.[4] However, by retaining control over Russia's international commerce, the Kremlin was able to limit the import of consumer goods from the

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[1]Samuel Cahan, "Soviet Economic Policies: Their Relation to the American Policy of Non-Recognition of the Soviet Government," The Annals of the American Academy of Political and Social Science, CXXVIII (July, 1926), 101-109.

[2]Memorandum by Hoover, June 12, 1922, Hoover Papers, AG 3: Box 259.

[3]Speech of Hoover at Washington, D.C., May 15, 1922, Hoover Papers, AG 1: Box 227.

[4]Hoover Press Conference, July 25, 1925, Hoover Papers, AG 3: Box 80.

west, and enforce the saving of capital for Russia's industrial and agricultural development. Three years after Lenin had adopted the semi-capitalistic N.E.P., the Bolsheviks passed a resolution at their Thirteenth Party Congress which declared that the state monopoly over Russia's foreign trade saved her from being plundered by other nations, and also enabled the Soviet Government to balance her imports and exports.[1]

In spite of Hoover's public statements, the Soviets were uncertain about his precise attitude towards them. They noted that he was interested in the development of America's export trade with Russia, but that he had not publicly declared himself in favor of Soviet recognition.[2] On the other hand, they regarded Secretary of State Hughes as "the most irreconcilable enemy of the U.S.S.R." in the United States, one who had consistently blocked American recognition of the Soviet Government.[3] Yet both Hughes and Hoover had played an important part in formulating American policy towards Germany as the bulwark against Communism in Europe, even while they eliminated her as an intermediary in American-Soviet trade. This policy was to have the most serious consequences for the Soviet Union, the United States, and, indeed, for all of Western Civilization.

Before World War I, American exports to Russia were

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[1] DVP, VII, 34.

[2] Pravda, June 7, 1923, p. 2.

[3] DVP, VIII, 81. When Hughes resigned as Secretary of State in March, 1925, the Kremlin hoped that his successor, Frank Kellogg, would move towards recognition of Soviet Union.

shipped first to Germany, and German businessmen then distributed these exports in Russia. After 1914, Germany lost this role as a commercial entrepot, but with the return of peace to Europe, German business circles were eager to revive the pre-1914 arrangement. In December, 1921, Hughes asked Hoover for his opinion about this.[1] The State Department pointed out that this indirect trade could easily be revived again, owing to Germany's propinquity to Russia and her vast experience with trade there. In exchange for serving as an entrepot, German business circles offered to state clearly the American origin of some American goods that would be shipped to Russia. In addition, the German Government could provide the American State Department with information about Soviet Russia. Hoover rejected such a tripartite economic relationship among the United States, Soviet Russia, and Germany. Why should America accept such an arrangement, he argued in his reply to Hughes, when she was so popular with the Russian people while Germany was so hated?[2] American political and business circles concurred.

Although Germany lost this transshipment trade with Russia, she prospered in the 1920's because of large American loans and investments.[3] In 1926, however, the American State Department

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[1]Note of Hughes to Hoover, December 1, 1921, Hoover Papers, AG 3: Box 259.

[2]Letter of Hoover to Hughes, December 6, 1921, Hoover Papers, AG 3: Box 259.

[3]Cordell Hull, the Secretary of State under Franklin Roosevelt, wrote that between 1924 and 1930, American private

notified American bankers that the Coolidge Administration disapproved both of loans made directly to Russia and also of loans to Germany for the purpose of facilitating her trade with Russia. Upon being informed of this, the influential American banker, W. Averell Harriman, abandoned his plan to help finance the German export trade with Russia. Nevertheless, the flow of American capital to Germany enabled her to divert part of her domestic funds for the purpose of extending credit to Soviet Russia, for the purchase of German goods. Thus, the United States indirectly financed Germany's foreign trade with Russia.[1]

While Washington's policy of eliminating Germany as an intermediary in American-Soviet trade was only partly successful, the policy of building her as a bulwark against Bolshevism in Europe succeeded all too well. In 1919, Many Germans, including conservatives and reactionaries, threatened to support an agreement between Berlin and Moscow if the Allies insisted on imposing their harsh peace terms on Germany. Because of this threat and the Allied fear of a Communist coup d'état in Berlin, the Allied terms were reduced in their severity.[2] Nevertheless,

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investors had subscribed to about one billion dollars in bonds issued by the central German Government, states, and corporations while American banks advanced another one billion dollars in short-term credit. Cordell Hull, The Memoirs of Cordell Hull (New York: Macmillan Co., 1948), I, 238.

[1]Benjamin H. Williams, The Economic Foreign Policy of the United States (New York: Howard Fertig, 1967), p. 98.

[2]At the Genoa Conference, Soviet Russia found herself diplomatically isolated, and she naturally turned to Germany, the other outcast nation of Europe.

the Treaty of Versailles stripped Germany of her colonies and 13 per cent of her European territory. This aggravated her problem of how to support 65 million people in an area limited in area and resources, and the lack of an adequate answer to this problem stimulated the growth of Communists and extreme Nationalists. The Weimar Republic had floated on a wave of prosperity created by American loans and investments, but after the collapse of the American stock market in 1929, German extremist groups on the left and right mushroomed in popularity.

Initially, the Washington government had favored Poland as the keystone in its security system against the advance of Bolshevism in Europe, and as the base for American economic interests in Central Europe. In an address before a convention of Polish-Americans in 1919, Hoover spoke of the sufferings inflicted on Poland by the Bolshevik forces after the German and Austrian armies had withdrawn from Polish ethnic territories. The Bolshevik invasion of Poland was repulsed, and it was Poland's mission, he said, to "hold the front line of Europe" against another Bolshevik attempt to invade Europe.[1] From another point of view, Soviet Russia was so weak in 1920 that she threatened to suspend her trade with the United States, Great Britain, France, and Japan if Polish attacks on her territory

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[1]Herbert Hoover, Address of Herbert Hoover before the Polish Convention in Buffalo, New York on November 12, 1919 (Chicago: National Polish Committee of America for Relief in Poland, 1919), p. 5. At Buffalo, Hoover pleaded for Polish tolerance towards her large Jewish minority of over two and a half million people.

did not cease.[1]

As Russia recovered her economic and political strength, the small and weak nations on her western border became increasingly fearful of losing their political independence. The Soviet Government used the local Communist parties in the Baltic nations to induce these former Russian provinces to join the Soviet Union.[2] Moreover, the Romanian province of Bessarabia and all of Eastern Poland had large Russian and Ukrainian populations who comprised a Russia irredenta.

By 1931, it had become clear that Poland would remain a weak nation, and only Germany could balance the power of the Soviet Union in Europe.[3] In October, 1931, the French Premier, Pierre Laval, made an official visit to the United States. When Hoover began the Franco-American talks with a discussion of the conditions in Central Europe, Laval stated that the French army was the main defense against Bolshevism in Europe.[4] Moreover, he told Hoover that the French-German border was secure, not even the Nazis, he said, would try to wrest Alsace-Lorraine from

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[1] *DVP*, II, 400.

[2] Note from American Embassy at Warsaw to Stimson, March 24, 1931, National Archives, Department of State Files, 861.01/1581. Hereafter designated as NA. Moscow was particularly interested in the Estonian ice-free port of Talinin.

[3] On March 28, 1932, Stimson wrote in his diary that Charles Dewey, the American financial advisor to Poland, had told him that the Poles were not militarily afraid of the Soviet Union which came as a surprise to the Secretary of State.

[4] Henry L. Stimson, Diary, Entry for October 23, 1931, Stimson Diary and Papers at Sterling Memorial Library of Yale University, New Haven, Connecticut.

France. In contrast to this situation in Western Europe, he felt that the German-Polish border was unstable because the Germans wanted to reunite East Prussia with the rest of the Reich.

The Hoover Administration concurred with Laval's view of the Polish Corridor but not with his assessment of the French army. Senator Borah, speaking for the Administration, told a group of American and French newspapermen that the Polish-German border should be modified as part of a general revision of the Treaty of Versailles.[1] Furthermore, he deplored the partition of Hungary in 1919 that had placed many ethnic Hungarians under alien rule. This, he said, violated the irrepressible national feeling of the Hungarian people. Two months after Borah commented on the situation in Central Europe, Hitler was interviewed by the American press.[2] Hitler emphasized Germany's need for a firm foundation for her national life--a need that Borah, he said, had clearly recognized.

From the vantage point of time, it can be seen that the policy of looking to Germany as the bulwark against Bolshevism in Europe was a serious mistake. Although Germany was indeed the only nation in Europe that could balance the power of Soviet Russia, German society had historical aims of its own that ultimately clashed with those of the United States. But not even Senator Borah, the foremost advocate in the Senate of American

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[1] New York Times, October 23, 1931, p. 11.

[2] Ibid., December 20, 1931, sec. 9, p. 5.

recognition of the Soviet Union, could have foreseen the consequences of American diplomatic support for a revision of the Polish Corridor in 1931.

PART II

THE TRIUMPH AND DECLINE OF THE POLICY OF NONRECOGNITION

CHAPTER III

THE INTERNATIONAL STRUGGLE OVER PETROLEUM AND THE ROLE OF SOVIET-AMERICAN RELATIONS

World War I had clearly demonstrated the superiority of petroleum over coal as a maritime and military fuel. During the 1920's, an intense struggle erupted between the United States and Great Britain over the control of the world's petroleum markets and reserves. In this struggle, Russian petroleum played an important, even decisive role: Soviet oil concessions granted to American companies enabled them to successfully compete with their British competitors in Asia and Africa.

Although the Russian Empire was a major oil producer, American investments in her oil industry were insignificant as compared to those of the British, Dutch, and French.[1] The Royal Dutch-Shell interests, an Anglo-Dutch concern, had begun to acquire Russian oil property as early as 1910. By 1917 this concern and the Dutch owned Bibi-Eibat Company and its subsidiaries, controlled 40 per cent of the Russian oil industry.[2]

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[1]With the exception of the Standard Oil Company of New York which owned some tank storage facilities, the Vacuum Oil Company was the only American concern that had a large stake in the Russian oil industry at the time of the Bolshevik coup d'état.

[2]As a result of World War I, German interests were completely eliminated from the Russian oil industry.

In 1920, however, the Standard Oil Company of New Jersey acquired a 51 per cent interest in the Russo-Swedish Nobel oil interests--an acquisition that had great significance for relations between the United States and Soviet Russia.[1] In 1920, Bolshevik forces defeated their Menshevik and nationalist enemies in Armenia and Georgia and seized the oil fields of the Caucasus. Standard Oil of New Jersey, the largest petroleum company in the United States, sought to recover its investment in the Russian oil industry, and at the same time, competed with the Royal Dutch-Shell interests throughout the world.

Holding one-sixth of the world' estimated petroleum reserves, the Soviets feared that the Anglo-Dutch and American oil companies would settle their differences and the Soviet Union would be confronted with a united capitalist oil front.[2] Fortunately for the Soviet Government, this did not occur and in the 1920's, American and British oil interests fought each other on five continents.[3] The international struggle over petroleum was further complicated by the competition among American petroleum interests, particularly between the Sinclair and Standard companies, and also among the Standard companies themselves.

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[1]Alfred and Robert Nobel of Sweden had pioneered the development of Russian petroleum in the Caucasus. Between 1891 and 1901, Russian oil production exceeded that of the United States.

[2]This was the estimate of Russia' oil reserves in 1922.

[3]The Anglo-American competition over petroleum became so intense that some popular American writers and journalists predicted that the United States and Great Britain would eventually go to war over it.

Although the issue of Russian petroleum by itself was not sufficient to modify the policy of nonrecognition in the years 1919-1929, it did profoundly effect American relations with Soviet Russia in that decade. In 1918, the United States produced 68 per cent of the world's oil output, but even this did not satisfy America's growing consumption of oil. Fearful that the United States would soon exhaust her domestic reserves, the Harding-Coolidge administrations encouraged American petroleum companies to expand their operations in foreign countries.[1] In May, 1921, Secretary of State Hughes made this clear when he instructed the American Minister to the Hague to deliver a note to the Netherlands Government stating that American oil corporations must be granted the same opportunity as the Royal Dutch-Shell Company to develop the oil deposits of the Dutch East Indies.[2]

The Hague, however, was unmoved by Hughes' note, and the United States faced difficulties elsewhere. The British and French Governments tried to exclude American oil interests from their empires and spheres of influence in the Middle East. Even in nearby Mexico, the government of President Obregón sought to enforce Article Twenty-Seven of the Constitution of 1917 which declared that all subsoil mineral wealth belonged to the Mexican nation. Only Venezuela and Soviet Russia, among the

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[1] In December, 1922, Secretary of Commerce Hoover stated that the United States faced an imminent shortage of her petroleum reserves and advised American companies to seek alternate sources in foreign countries.

[2] New York Times, April 20, 1921, p. 1.

nations with large petroleum reserves, were willing to grant concessions to American corporations.

Although Standard Oil of New Jersey had indeed suffered a loss when the Bolsheviks nationalized the Russian oil fields, this was negligible compared to that suffered by Western Europe. The Genoa and Hague Conferences were called in part to settle the European losses in the Russian oil industry. At Genoa, the Royal Dutch-Shell interests negotiated with the Soviet delegation for the formation of an Anglo-Russian syndicate that would buy and distribute Russia's annual oil production, but the negotiations collapsed when the British delegation announced its terms for such an agreement.[1] The Soviet Government felt that the demands of Western Europe were excessive, and would reduce Soviet Russia to an economic colony of the West. For their part, the British, French, Dutch, and Belgian delegations felt that the Soviet demand for a large loan at a low rate of interest was exhorbitant. Since Western Europe itself was struggling to recover from the havoc caused by World War I, it could not readily furnish Russia with industrial capital.

The United States closely followed the proceedings at Genoa and the Hague, and both Washington and Moscow attributed the failure of the two conferences to the rivalry between the French-Belgian and British interests for control of the Russian oil fields. The head of the East European Division of the State Department informed Hoover that Soviet Russia desperately needed

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[1] Ibid., January 20, 1922, p. 6.

a loan for which she would grant a concession to produce and export her oil, with the right to only a minimum royalty or even no royalty at all.[1] The United States, he advised Hoover, should prevent the Russian oil fields from falling under the control of the British. But even if the Soviet Government agreed to restore the fields to their former owners, many of them, he felt, would not have the capital necessary to resume operations, and would then be glad to sell their property--presumably to American interests.

Although American interests controlled 80 per cent of the world's oil, according to the Bolshevik theoretician Karl Radek, her consumption of petroleum was increasing. "For every gallon of petroleum produced by Great Britain, the United States produced twenty," and this disparity in production, he remarked, was one of the main sources of friction between the two countries.[2] Furthermore, the French banks, led by the Dreyfuss interests, had acquired a large interest in the Russian oil industry after the Bolshevik coup d'état, and large part of this was subsequently sold to Standard of New Jersey. The French, he continued, were afraid that they would be ignored in an agreement between the Anglo-American oil interests and the Soviets. Therefore, they had obtained a promise from Great Britain at San Remo and from the United States at Genoa that the three powers would follow a unified policy concerning the

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[1]Memorandum by E. D. Durant to Hoover, June 27, 1922, Hoover Papers, AG 3: Box 259.

[2]Pravda, July 20, 1922, p. 1.

future disposition of the Baku oil fields. But, his analysis continued, the Standard Oil interests were disappointed in the results of the Genoa Conference, and were unwilling to cooperate with the Anglo-Persian Oil Company in Northern Persia and Russia.

The Kremlin felt that it could exploit these conflicts between Western Europe and the United States. Even while conducting negotiations with the representatives of the Royal Dutch-Shell Company at Genoa, the Soviets invited the United States to send technicians and engineers to Russia for the development of her oil fields. The Soviet Government did this in the hope that it would be able to export oil to the United States in exchange for a loan of 500 million dollars by means of which it could then buy American machinery.[1]

In 1920, the Kremlin granted a concession for the development of the mineral wealth of Kamchatkha to a consortium of American West Coast businessmen, headed by Washington B. Vanderlip.[2] Thereby, the Soviets hoped that they could not only obtain American capital for the development of Kamchatkha, but also force Japan to evacuate the Russian Far East through the involvement of American business in Siberia.[3] Vanderlip even

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[1] New York Times, June 20, 1922, p. 6. Obviously, Washington was aware of the Kremlin's plans to exploit American differences with Western Europe.

[2] The American historian Louis Fischer wrote that Lenin had confused the W. B. Vanderlip with his more famous cousin, a banker named Frank A. Vanderlip, but this assertion is questionable since Lenin had publicly stated in 1920 that the two men were cousins. Vladimir Ilich Lenin, Selected Works (New York: International Publishers, 1937), VIII, 284.

[3] It was rumored in Moscow that President-Elect Harding had approved of Vanderlip's negotiations with the Kremlin, but Vanderlip publicly denied this.

suggested that the Soviet Government sell Kamchatkha to the United States which, he said, would bring the immediate recognition of Soviet Russia by the Harding Administration. Lenin, of course, rejected such a proposal, and instead granted a sixty-year lease to an area of 400 thousand miles of the Kamchatkha Peninsula. In return, the Kremlin expected that Vanderlip would act as its commercial agent in the United States, and place large orders for agricultural and industrial equipment with American companies. In 1922, the Standard Oil Company of California, the second largest Standard company, acquired a 25 per cent interest in the Vanderlip group. But even this did not persuade the Harding Administration to give its support to Vanderlip, and without Washington's backing, his project collapsed.[1]

The Far Eastern Republic, the Russian revolutionary government in Siberia, tried again to force Japan out of the Russian Far East and to obtain an American loan by granting a concession to the Sinclair Oil Company for the development of the mineral resources of Northern Sakhalin. The F.E.R. thereby ignored a tsarist grant to the Royal Dutch-Shell Company for North Sakhalin's oil and signed an agreement with the Sinclair Company early in 1922 which was reaffirmed when the F.E.R. merged with Soviet Russia in November, 1922.[2]

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[1] *DVP*, VI, 157.

[2] The concession, which was to last for thirty-six years, entitled the Sinclair Corporation to develop the oil, natural gas, and pitch of Northern Sakhalin. However, if the United States did not recognize the Soviet Government by 1928, the concession would be automatically cancelled. *Pravda*, January 27, 1923, p. 3.

The Vice President of the Sinclair Exploration Corporation warned Hoover in 1922 that Japanese domination of Northern Sakhalin would cut off American access to the area's raw materials and fuel supplies.[1] Furthermore, he described the F.E.R. as a republican and representative form of government, and argued that American support of the Chita government would encourage the Soviet regime to move in a democratic direction. While the Harding Administration refused to recognize the Japanese annexation of Northern Sakhalin, it also refused to support the Sinclair concession there, a position which was not changed by the merger of the F.E.R. and Soviet Russia.[2]

In spite of Washington's refusal to back the Sinclair concession on Sakhalin, the Kremlin tried to use it as a bargaining point in its discussions with Japan. The Teapot Dome scandal, however, seriously damaged the international and domestic position of Sinclair Oil, and it became increasingly clear that the Sinclair Company could not alter the policy of nonrecognition. Moreover, after several years of fruitless negotiations, Japan indicated that she would remove her troops from Northern Sakhalin in exchange for the right to exploit its natural wealth.

Under these circumstances, the Kremlin acted to cancel

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[1] Memorandum by A. C. Veatch to Hoover, January 5, 1922, Hoover Papers, AG 3: Box 259.

[2] When Japanese troops refused to permit surveyors sent by the Sinclair Company to land on Northern Sakhalin, the Soviet Government sent a note of protest to Tokyo, but the American State Department refused to take similar action.

the Sinclair Company's concessions in Russia. In January, 1924, Litvinov demanded that Sinclair Oil immediately grant a loan of 250 million dollars to the Soviet Government as the price of its continued right to develop the Grosny oil fields. Sinclair, of course, could not meet this demand, and the Grosny concession was cancelled in 1925. In 1925, too, the Soviets cancelled Sinclair's Sakhalin concession, claiming that the company had not begun petroleum explorations in the area. Sinclair Oil protested the Soviet action to the American State Department, but Washington again refused to take any action on the company's behalf.[1]

In 1925, the Sinclair interests suffered further reverses in Persia and Germany as well as in Russia. In that year, the Persian Government revoked the concession that it had granted to Sinclair Oil in 1923, who, at that time, had outbid the Anglo-Persian Oil Company and Standard of New Jersey. In November of 1923, Harry Sinclair and the German industrialist and financier, Hugo Stinnes, had announced that they would form a new oil refining company which would compete with Standard Oil of New Jersey in Germany. But by 1925, the Stinnes interests, like those of Sinclair, were in serious difficulties and in no position to challenge Standard Oil. By the mid-1920's, the international struggle over petroleum centered on the competition between the Standard and Royal Dutch-Shell interests, and in this struggle for control of markets and resources, Russian oil played an important role.

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[1]FRUS: 1925, II, 697-701.

In 1921, the Royal Dutch-Shell oil interests purchased oil rights in the area of the Caucasus from a group of exiled Russians living in Paris.[1] It was agreed that the former owners would receive from 5 to 10 per cent of the estimated value of the production from the Grozny oil fields in exchange for exclusive control of the fields by the Royal Dutch-Shell interests. It was agreed too that if the former Russian owners did not regain their property within ten years after the conclusion of the agreement, then it would be cancelled. Although Standard of New Jersey had concluded a similar agreement with the Nobel interests, its sister companies, Standard of New York and Vacuum Oil, signed a series of contracts in the mid-1920's with the Soviet state oil trust to buy and market large quantities of Russian oil. By picking up this oil at Russia's Black Sea ports, Standard of New York could cut transportation costs and effectively compete with British oil in the markets of Southern Asia and the Middle East.

While Standard of New York passed up Standard of California as the second largest Standard company in October, 1928, both companies were overshadowed by Standard of New Jersey, the largest petroleum organization in the world. The Kremlin felt that as long as Standard of New Jersey refused to deal openly and directly with Soviet Russia, Washington would not recognize the Soviet Union. The Soviets regarded Secretary of State Hughes as a spokesman for Standard of New Jersey, and they felt that this

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[1] New York Times, February 11, 1921, p. 1.

explained his intransigent attitude towards the establishment of diplomatic relations between Washington and Moscow. But much to the Kremlin's disappointment, there was no change in Washington's policy towards Soviet Russia after Hughes' retirement in 1925.[1]

Although Standard of New Jersey refused to buy or distribute Russian oil, it did little to impair the oil agreements made by Standard of New York and Vacuum Oil with the Soviet Government. The president of Standard Oil, Walter Teagle, confined himself to a few public criticisms of the Russian oil purchases. In mid-1927, Teagle even went to Europe to try to dissuade the head of Royal Dutch-Shell, Sir Henri Deterding, from taking any retaliatory measures against Standard of New York and Vacuum oil for their business relations with the Kremlin.[2] Also in 1927, the public relations director of Standard of New Jersey, Ivy Lee, launched a campaign to expand American trade with the Soviet Union. Most significantly of all, the Rockefeller family who was the largest stockholder in all the Standard Oil companies, never publicly objected to the purchases of Russian oil.

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[1]In January, 1926, the American Petroleum Institute announced that Hughes would represent the Institute in its dealings with the Federal Oil Conservation Board.

[2]New York Times, July 22, 1927, p. 27. It was first reported that Teagle went to Europe to plan retaliatory measures with Deterding against Vacuum and Standard of New York. In this way, Standard of New Jersey could publicly pose as an opponent of business dealings with the Soviets while discreetly approving of such arrangements.

In 1927, the United States Shipping Board purchased 44 thousand tons of Russian oil from Standard of New York that were delivered to certain specified ports in the Middle East. Although the Shipping Board denied any involvement in Standard's Russian oil purchases, the use of Russian oil by American merchant ships was highly significant. The year 1927 was crucial in the Anglo-American struggle over petroleum, a year in which Russia's oil production was exceeded only by that of the United States.

In November, 1927, the Russian Information Agency announced that Russia's oil production had broken all previous records, and in the same month, Standard of New York announced that it had signed another contract with the Soviets that would enable it to supply its Middle Eastern markets. This contract, concluded over the protests of the Royal Dutch-Shell Company, called for the delivery of 360 tons of petroleum products to Standard of New York over a period of five years.[1] At the same time, Vacuum Oil announced that it planned to sell Russian gasoline and kerosene in certain European markets which had been dominated by Royal Dutch-Shell. In India, a ruinous price war erupted between Standard of New York and Royal Dutch-Shell as both companies struggled for control of this lucrative market.

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[1]By January, 1928, the Russian contracts of Standard of New York and Vacuum Oil called for their purchase of 432 thousand tons of oil annually, which represented one-fourth of all Soviet Petroleum exports. The two companies signed further contracts with the Kremlin in April, 1928, which raised the value of their annual purchases of Russian oil to the staggering figure of 10 billion dollars.

By the beginning of 1928, it appeared that the Kremlin was about to attain its political and economic goals through sales to American oil companies. The Soviet press commented in July, 1927 that the alliance of Anglo-American petroleum interests had been replaced by a Soviet-American understanding regarding their common enemy--Deterding.[1] A few months later, in October, 1927, the Soviet press predicted that the imperialist struggle over petroleum would lead to a war between Great Britain and the United States.[2] However, Soviet oil sales in Western Europe antagonized Standard Oil of New Jersey, which was the first indication that the Kremlin's oil diplomacy had failed.

In an attempt to circumvent the high oil prices charged by British and American companies, France purchased large amounts of Russian petroleum in the mid-1920's. Furthermore, French business interests resented their exclusion from the Mosul oil fields by British and American oil interests, which, they said, was a violation of the Treaty of San Remo.[3] On the other hand, France was unable to reach a satisfactory agreement with the Soviet Government over the question of compensation for French-owned oil property that had been nationalized by the Bolsheviks. Consequently, France favored one oil group and then the other in an attempt to find a way out of her dilemma. In February, 1926,

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[1] Pravda, July 26, 1927, p. 1.

[2] Ibid., October 12, 1927, p. 1.

[3] The Treaty specified that France was to receive 25 per cent of the production from the Mosul fields.

France ordered a large amount of oil for her navy, but this action immediately raised a protest from those French interests who had owned shares in the Russian oil industry. In mid-1926, the French Parliament debated a proposal to establish a state oil monopoly, but this proposal and a similar one in 1928 were rejected by the Chamber of Deputies, much to the relief of Standard Oil. In 1929, France again tried to bypass British and American oil when she opened talks with Germany and other non-oil producing nations in Europe concerning the purchase of Russian petroleum.[1]

After she had nationalized the Spanish property of the Standard Oil Company of New Jersey, Spain signed a contract with the Soviet state oil trust to furnish her with half of her annual petroleum consumption. The Kremlin hailed its contract with Madrid as a move that would enhance Russian oil sales throughout Europe.[2] However, since the Soviets could supply only half of Spain's annual petroleum consumption, she continued to buy American petroleum. The Madrid government also continued its negotiations with Standard of New Jersey, and in 1929, Spain agreed to compensate the company for its nationalized property. In mid-1930, Spain cancelled her petroleum contract with the Soviet Union.

While the loss of the Spanish market was a setback, it was not an extremely serious one, since most of Russia's oil

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[1]However, the world-wide economic collapse beginning in October, 1929 reduced Europe's need for oil.

[2]DVP, X, 493.

was distributed and marketed by foreign companies.[1] Far more ominous for the future of Russian oil, was the fact that Venezuela passed up the Soviet Union in oil production in 1928, a year in which the world's petroleum markets were already glutted.[2] The economic crisis that began in October, 1929 further aggravated the international surplus of petroleum, and these developments profoundly changed the relations of the major oil-producing nations.

American public and private agencies successfully reduced domestic oil production in 1928, and tried to curtail foreign oil production, particularly in Venezuela. These attempts to stabilize international oil prices and markets aroused Soviet fears of a united Anglo-American oil front. The Soviet press warned that Russia would never agree to a division of the world's petroleum markets between the British and American companies, and that if Standard Oil refused to buy Russian oil, the Soviets would take independent action.[3] However, the Kremlin's fears in 1928 appeared to be unfounded.

In the latter part of 1928 and early in 1929, it seemed that the international struggle over petroleum would be amicably

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[1] In 1931, only 8 per cent of Russia's oil was marketed through her own distributing facilities- the remaining 92 per cent was distributed through international oil companies.

[2] A substantial part of Venezuela's petroleum was owned by American companies, and, in addition to this, Secretary of State Kellogg announced in February, 1929 that the Netherlands had agreed to grant petroleum concessions in the Dutch East Indies to the Standard Oil interests.

[3] Pravda, October 11, 1928, p. 1.

settled through a series of negotiated agreements among the world's major producers of oil. In July, 1928, Standard of New York and Royal Dutch-Shell called off their ruinous nine-month-old price war in India, and Standard of New York even agreed to compensate Royal Dutch-Shell for its nationalized Russian property.[1] Eight months after the Standard-Shell agreement, the Soviets too reached an agreement with Royal Dutch-Shell by which they agreed to cease their price-cutting practices in the British market, and to permit their old enemy to buy large amounts of Russian oil products on favorable terms.[2]

While the international oil interests were resolving their differences, an intense oil-price war broke out in the United States that had important implications for the Soviet Union. Because of falling oil prices, the competition among the petroleum companies on the domestic American market became more intense. At the beginning of 1929, Standard Oil of New Jersey purchased the Beacon Oil Company of Massachusetts, and this meant that Standard of New Jersey intended to extend its sales into the area that had been designated as belonging to Standard of New York.[3] Also in 1929, the Anglo-American Oil

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[1]Payment, in the form of oil rebates, was made by the Medway Company, a subsidiary of Standard of New York. However, Vacuum Oil continued to compete with Royal Dutch-Shell in Europe.

[2]In mid-1928, the Soviets concluded a similar agreement with the Anglo-American Oil Company.

[3]The Standard companies had divided up the United States into several areas, and had agreed to respect each other's sales territory.

Company chose to join Standard of New Jersey rather than Standard of New York.[1] Since Anglo-American Oil had concluded an agreement with the Soviet state oil trust, Standard of New Jersey's new subsidiary could furnish it with Russian oil.[2]

At the same time that Standard of New York was being challenged by Standard of New Jersey, it faced even greater competition from the Shell Union Oil Company. In May, 1929, Shell Oil began to expand its petroleum processing units in the United States, and three months later, the company announced that as part of its program of expansion in the United States, it would enter the retail oil market in New York City. This placed Shell Oil in direct competititon with Standard of New York for a market which served 30 per cent of all the automobiles in the United States. Standard of New York countered these moves by merging with the Vacuum Oil Company in 1930, and, in the same year, signed an agreement with the Soviet Naptha Syndicate to buy one million tons of refined petroleum products.[3] The Shell-Standard oil-price war lasted through most of 1930, but Shell surrendered in December, 1930 when Royal Dutch-Shell announced that restrictions would be placed on its oil production in Venezuela.[4]

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[1] In 1911, the Supreme Court had separated Standard of New Jersey and Anglo-American Oil.

[2] In 1927, Standard of New Jersey became a holding company only.

[3] The major American oil companies consented to this purchase in November, 1930.

[4] Shell Oil was selling low-cost petroleum from Royal Dutch-Shell's Venezuelan oil fields.

While the world's output of oil had generally declined in 1930, Russia's production had increased, and the Soviet Government strove for even greater production in 1931. Like her wheat exports, Russia's petroleum exports were needed to pay for her imports of machinery and machine parts, but Russia's oil, like her wheat, was an object of resentment in the world's saturated Depression markets.[1] Threatened with an international boycott of her oil, the Soviets were forced, in 1931, to negotiate a reduction in their oil production by a coalition of British and American producers, including Standard of New York. In spite of this agreement, Russia's oil production continued to climb, which made it necessary to call another oil conference in 1932.

At the second international oil curtailment conference, held in New York City, the former economic ally of the Soviet Union, the Socony-Vacuum Company, blamed the Soviets for the depressed price of petroleum because of their policy of dumping oil on the world markets.[2] Exports of Russian oil, the head of the Socony-Vacuum told the conference, had increased from 1,461,000 tons in 1924 to 5,100,000 tons in 1931.[3] While the Soviets admitted that their output of petroleum had indeed

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[1]The Hoover Administration moved to reduce oil imports in November, 1931.

[2]The new company, formed of the merger of the Vacuum Oil Company and Standard of New York, was called the Socony-Vacuum Company.

[3]New York Times, May 8, 1932, sec. 2, p. 7.

increased in 1930 and 1931 while that of the United States had declined, they pointed out that American oil fields were still more than five times more productive than Russian fields.[1] This Soviet argument was of no avail, and the American and British oil companies presented the Soviet delegation with a plan to freeze Russian oil exports at their 1931 level. The Soviets then offered a counter-plan that would regulate the export of Russian oil in proportion to the rate of the international consumption of petroleum. After three weeks of discussions, no agreement could be reached, and the talks were broken off early in June, 1932. In July, the negotiations were resumed in Paris, but these proved to be as fruitless as those held in New York City. Nevertheless, the American and British oil companies felt satisfied with the Paris conference because they agreed at Paris to restrict Soviet Russia's oil marketing facilities, and this was as effective as a reduction in Russian oil production itself.[2]

The Paris oil conference also signified the failure of the Kremlin's oil policy. In 1928, it had seemed that Russian oil would win American recognition and a large loan from the United States, but two unforeseen factors upset this strategy: the development of an alternative source of petroleum in Venezuela and the world-wide economic collapse that began in 1929. As the depression wore on into the 1930's, the clamor of American

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[1] In 1931, the Soviets said, the United States produced 122,245,000 tons of oil while the Soviet Union produced only 22,335,000 tons. Izvestia, March 21, 1932, p. 2.

[2] Since most of Russia's oil exports were marketed by British and American companies, they could indirectly control her production of petroleum.

businessmen for a revival of large exports to Russia grew stronger. Moreover, this revival of Soviet-American trade, they felt, necessitated American recognition of the Soviet Government.

CHAPTER IV

AMERICAN TRADE WITH RUSSIA AND SOVIET PROPAGANDA

The Bolsheviks proclaimed that Soviet Russia was a revolutionary society that would lead radical forces throughout the world against the decadent capitalist system. In July, 1919, Lenin told the American people that the Soviets were not interested in reforms but in revolution. Reforms, he commented, "are the essence of compromise, derived from the ruling class, in order to protect its rule" while revolutions are committed to the overthrow of the ruling class.[1] After the breakdown of European society in the post-World War I era, the October Revolution did inspire radicals throughout the world, but especially in Europe. Although the communists held power for a short time in Bavaria and Hungary, the extreme left was defeated everywhere in Europe by the beginning of the 1920's. After having won some notable victories, the Communists were also defeated in Southern China. The socialist millenium had not dawned, and the Soviet Union felt that she faced a hostile world, ruled by her avowed enemy--capitalism.

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[1]Vladimir Ilich Lenin, O Vneshnei Politike Sovetskovo Gosudarstva (Concerning the Foreign Policy of the Soviet Government), ed. by the Institute of Marxism-Leninism (Moscow: State Printers of Political Literature, 1960), p. 207.

Fearful of an attack from the bourgeois countries, Stalin called on the working class of the world to defend the citadel of socialism--the Soviet Union. In making this call, Stalin was as much motivated by traditional Russian nationalism as he was by Marxism-Leninism. Theoretically, the Soviet Union was a revolutionary Marxist society, but in actuality, it was a Russian state with a revolutionary ideology. All of Russia's rulers, from Peter the Great to Stalin, had emulated and copied Western technology, and all of Russia's rulers were threatened by the centrifrugal tendencies among the non-Russian peoples. The Bolsheviks were as interested as the tsars in the preservation of Russia's empire.[1] Given a choice between the interests of Russia and the advancement of a radical movement in another country, the Bolsheviks invariably favored the former over the latter.[2]

The historical evolution of the October Revolution resembled that of the other universal European revolution--the French of 1789. The universal ideals of the Russian Communists, like those of the French republicans, were increasingly subverted to narrow national interests. Long after these ideals had become empty slogans, many radicals and liberals outside of Russia did

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[1]Within a month after the Bolshevik coup d'état, the leaders of Soviet Russia sent a note to the Allied Powers reminding them of Wilson's pledge of a peace without idemnities and annexations.

[2]In 1929, a part of the Communist Party of the United broke away from the main body of the Party on the ground that the revolutionary tactics followed by the Third International through the American Communist Party were completely erroneous.

not discern any contradiction between the Soviet system and the universal elements of Marxism.

The Third International was an expression of the Bolsheviks' revolutionary ideals, but it too was increasingly used to further Russia's national interests. The Soviets, in part, evaded this discrepancy by asserting that the Third International was an organization created by the international proleteriat and was entirely independent of the Kremlin. Therefore, the Soviet Government refused to accept any responsibility for the propaganda disseminated by the Third International.[1] In reality, the distinction between the Kremlin and the Third International or Comintern, as it was called, was minimal since the highest officials of the Soviet Government also held important positions in the Comintern.

The exact relationship between the Communist Party of the United States and the Third International was also unclear. Contrary to the allegations of its enemies, the American Communist Party did not receive orders from Moscow, but the American Communists certainly did look to Soviet Russia for their revolutionary model. They accepted Stalin's dictum that the U.S.S.R. --the citadel of socialism--must be preserved at all costs.

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[1]On an official visit to France in 1925, George Chicherin, the Soviet Commissar of Foreign Affairs, absolutely denied that there was any connection between the Third International and the Soviet Government. When asked how the Third International was financed, he answered that it operated like the Catholic Church, with local committees gathering party contributions and then sending them on to higher authorities. New York Times, December 16, 1925, p. 12.

William Foster, a chairman of the American Communist Party, described the Communist International as a disciplined world organization, whose leading party, because of its revolutionary experience, was the Russian Communist Party.[1] The American Communist Party, he said, adhered to the Third International because only such a highly-disciplined, international organization could defeat imperialism.

While Foster's explanation satisfied many militant leftists, the government in Washington regarded the American Communist Party as simply a tool of the Kremlin. Washington justified, in part, the policy of non-recognition of the Soviet Government on the basis of the latter's propaganda activities. Moreover, since the Soviets were disseminating their propaganda through the American Communist Party, Hoover and others in Washington felt that American diplomatic isolation of the Soviet Union would help to prevent the Communists from becoming a serious internal threat to the United States.

In the period of depression and anti-Communist hysteria that followed World War I, the issues of the participation of the Communists in American politics and their relationship to Moscow were unquestionably used to crush dissent in the United States. Speaking in favor of a bill to restrict immigration into the United States in December, 1919, Congressman Edwin Davis of Tennessee quoted a report by Attorney General Palmer that there

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[1]William Z. Foster, Toward Soviet America (New York: Howard-McCann, 1932), p. 258.

were 222 radical foreign language newspapers published in the United States and another 105 radical newspapers published here in English.[1] In addition to these newspapers published in the United States, 144 foreign radical newspapers were distributed here, according to Davis. Also in December, 1919, Representative Thomas Blanton of Texas alleged that the wave of post-War strikes were largely caused by Bolshevik agitators.[2] However, these attitudes towards the Bolsheviks were not shared by all of the American people, who debated the questions of Soviet propaganda and the relationship of the American Communist Party to the Comintern throughout the period of Soviet nonrecognition.

The American Catholic Church, which was deeply opposed to the Kremlin's anti-religious policy, was among the most ardent opponents to American recognition of the Soviet Government. As early as 1919, the Vatican alleged that the Soviets were persecuting Roman Catholics in Russia. This was vigorously denied by the Soviet Commissar of Foreign Affairs, George Chicherin, who asserted that under Soviet rule, Catholics enjoyed the right to freely practice their religion, in contrast to the tsarist persecution of non-Orthodox religious groups.[3]

When Pius XI began his pontifical reign in 1922, he hoped to bring the 90 million followers of Russian Orthodoxy into the Roman Catholic Church.[4] But he was obstructed in this

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[1] U.S., Congressional Record, 66th Cong., 2d Sess., 1919, p. 991.

[2] Ibid., p. 165.

[3] DVP, II, 95, 305.

[4] Louis Fischer, The Soviets in World Affairs: A History of the Relations Between the Soviet Union and the Rest of the World, 1917-1929 (Princeton: Princeton University Press, 1951), II, 521.

effort by the Polish Catholic clergy who feared that in the event of the union of the two Churches, their clerical positions would be filled by Russians.[1]

In 1923, the Vatican designated Father Edmund Walsh, who later became the Vice President of Georgetown University, as the head of the Papal Relief Mission to Russia. Father Walsh arrived in Russia at a very inopportune time for the future of Soviet-Vatican relations: in 1923, the Soviets arrested and tried the head of the Catholic Church in Russia, Archbishop Cepliak. A Soviet court sentenced the Archbishop to death, but after fifteen months of imprisonment, he was released in 1924, due to the intervention of the papacy.

Walsh tried to reach an agreement with Moscow over the status of the property owned by the Catholic Church in Russia, which, the Vatican argued, should be accorded the same treatment as all other foreign property there.[2] However, he was unable to reach an agreement with the Soviet Government over this issue or any other issue concerning the relations between the Vatican and the Kremlin. Although the Soviets did agree to permit Catholic religious services in Russia, they insisted on retaining

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[1]In 1925, there was again a possibility that the Russian Orthodox Church would join the Roman Catholic Church because of the deep divisions and confusion in the Russian Church.

[2]Monsignor Pizzardo, the Deputy Secretary of State for the Vatican, stated in 1922 that the Catholic Church expected her property in Russia to be afforded the same treatment as all other foreign property under the terms of the agreement reached at the Genoa Conference. Pizzardo added that he realized that the Soviets would not permit private property to exist in Russia. New York Times, May 11, 1922, p. 2.

control of the Church's property. Furthermore, they would neither allow Walsh to carry out his relief mission in Russia nor would they permit the transfer of foreign funds to Russia, suspecting that it really was an attempt to establish contact between Russian Catholics and tsarist émigrés in Western Europe.[1] In 1923, Walsh left Russia as an ardent enemy of the Soviet Union. In the following year, Pius XI bitterly denounced the Soviet regime for its anti-religious policy. The papacy's strong criticism of the Soviets was supported by the American bishops who opposed radicalism in the United States and feared a Soviet military occupation of the heavily Catholic areas of Eastern and Central Europe.

Soviet anti-religious activities aroused the hostility of American Catholics and fundamentalist Protestants, but liberal Protestants and Jews were less critical, even sympathetic to the Soviet Union. The American Hebrew declared in September, 1920, that "the Bolshevik Revolution eliminated the most brutal dictatorship in history . . . [and this change] was largely the product of Jewish thinking, Jewish discontent, Jewish efforts to reconstruct" Russian society.[2] Initially, the Bolsheviks encouraged Yiddish culture and proclaimed the equality of all Soviet citizens, regardless of race, religion, and nationality.

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[1]For their part, the Soviets alleged in 1923 that the property of the Russian Orthodox Church in America was being plundered and confiscated. Pravda, October 6, 1923, p. 3.

[2]Nathan Glazer and Daniel Moynihan, Beyond the Melting Pot: The Negroes, Puerto Ricans, Jews, Italians, and Irish of New York City (Cambridge: Massachusetts Institute of Technology Press, 1963), p. 268.

This stood in contrast to the restrictions placed by the Russian Empire on the cultural, economic, and religious life of the Russian-Jewish community.

Out of resentment of the inequities in tsarist Russia, many young Russian Jews had become radicals, and had rejected the Jewish religion in an attempt to become part of Russian secular society. Unquestionably, Jews held high positions in the Soviet Government and in the Communist Party out of all proportion to the number of Jews in Russia. This was partly due to the emigration of a million middle and upper class Russians after the October Revolution, whose former positions in the professions and government were willingly filled by Jews.[1] However, the vast majority of Russia's Jews, many of whom were destitute and had little hope for the future, clung to their religion and traditions. The Soviet Government had lifted the ban on petty trading in 1921, but this only stimulated anti-Semitism because many of the small traders during the period of the N.E.P. were Jews. In an effort to alleviate the distress of Russia's Jews, and to help them to adjust to Soviet society, the Joint Distribution Committee, an American-Jewish relief organization, cooperated with the Soviet Government in a project to establish Jewish agricultural colonies in the Crimea. The Joint Distribution Committee continued to support

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[1] In October, 1926, Emess, the official organ of the Jewish section of the Russian Communist Party, tacitly admitted that this had stimulated anti-Semitism among non-Jewish intellectual workers and in the Gentile middle class.

the colonization project in spite of severe criticism from the American Jewish Congress and the Zionist Organization of America that it was merely a plan to destroy the fabric of Jewish life in Russia.[1]

In November, 1926, Kalinin announced that, with or without foreign assistance, the Soviet Government would encourage the resettlement of Jews on farms in the Crimea and sponsor the formation of an autonomous Jewish territorial unit.[2] Furthermore, he said, whereas they had been previously settled on the less fertile land of the Crimea that required irrigation, the Jews would in the future be settled on fertile land. Within a week after he had made this statement, Kalinin announced the establishment of an agricultural bank to facilitate the agricultural settlement of Jews in the Crimea. This bank, he said, would handle funds received from Russian and foreign sources, and would "undertake to transfer sums from Jews abroad to their relatives here at reduced rates," by which he meant, of course, money sent from American Jews to their relatives in Russia.[3]

Only a small percentage of Russia's Jews responded to the Crimean agricultural colonization project: in 1928, only

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[1]However, the Soviet agricultural plan had the support of such prominent American-Jews as Felix Warburg, Julius Rosenwald, and Louis Strauss. In 1928, Secretary of Commerce Hoover praised the plan as an effort to make it possible for a people who had been starving as petty tradesmen to return to the soil as productive farmers.

[2]Kalinin was Chairman of the Central Executive Committee, 1919-1938.

[3]New York Times, November 20, 1926, p. 4.

6.3 per cent of all Soviet Jews were farmers.[1] The Crimean project failed not only because of the social readjustment that was involved, but also because of the hostility of the Ukrainian peasants who felt that the Jews were taking their land. Siberia, in contrast to the Crimea, had ample free land, and there was an urgent need to settle and develop Siberia because of Japan's ambitions there. In 1928, the Soviet Government suggested that the Pureya district of Siberia be established as a Jewish autonomous district within the Soviet Union. The Joint Distribution Committee, however, announced that it would not cooperate with the Soviet Government in this scheme to resettle Russian Jews in a buffer area close to the Sino-Soviet border.

The Russian Baptists were also subjected to Soviet pressure; during the election of 1928, the Government verbally attacked the Baptists an enemies of the Soviet proletariat.[2] In February, 1929 the Soviet Government announced that new and more stringent measures would be taken against all religious groups in the Soviet Union, and these included a limitation on the religious education of the young. These measures raised an outcry in the United States, and, indeed, throughout the world. But although the Soviet persecution of Christians, Jews, and Moslems received a great deal of public attention in the United

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[1]Recognizing this, a number of prominent American Jews launched a drive in 1929 to furnish unemployed Russian Jews with tools in order to retrain them as urban workers.

[2]In Belorussia, the Baptists were charged with having used "Rockefeller's oily millions to corrupt the Soviet proletariat." New York Times, March 3, 1928, sec. 3, p. 3.

States during the years 1917-1933, the majority of Americans, who were Protestant, did not feel that they were directly affected by the Kremlin's anti-religious policy. Anti-Catholic and anti-Semitic feelings were very strong in the United States itself during the 1920's and early 1930's; moreover, the number of Orthodox Christians in the United States, and particularly those who were Russian Orthodox, was small. The Orthodox Churches themselves were disunited, and because they were immigrant Churches, their influence on American public opinion was limited.[1]

Many American liberals overlooked the excesses of the Bolsheviks, and regarded the Soviet Union as a significant experiment in social and industrial democracy that the United States could not afford to ignore. During the years 1917-1933, leftist liberals often argued that the United States should have recognized the Soviet Government because Soviet industrial production would soon surpass that of the United States.[2] Although this was not a comforting argument in terms of power politics, it had wide appeal during the 1930's when millions of Americans were unemployed. After diplomatic relations had been established between Moscow and Washington, liberals contended that Americans could then assess the Soviet experiment more

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[1]Although the Protestant Episcopal Church dramatized the plight of Russian Orthodoxy, the majority of Americans were still unacquainted with Byzantine Christianity.

[2]Louis Fischer, "Russia's Race Against Time," The Nation, CXXXIII (August 19, 1931), 179-81.

objectively, and presumably adopt Soviet methods and goals. The adoption of social and economic planning, they persuasively argued, would ensure prosperity and social democracy, instead of mass unemployment and social despair.[1]

Since the Soviets were emulating and copying American industrial techniques, another group of liberals reached the conclusion that the Soviet and American social systems would eventually converge.[2] Some aspects of capitalism already existed in Soviet society; industrialization, they pointed out, would bring an increased demand for consumer goods in Russia, and a gradual but definite movement towards capitalistic democracy. A third group of liberals were hostile or ambivalent in their attitude towards the Soviet Union. After a visit to Soviet Russia, Oswald Garrison Villard, publisher of The Nation and a leading liberal, admitted that he was baffled by the contradictions in Soviet society; on the one hand there were social welfare laws, and on the other, an oppressive bureaucracy which called for class war.

While the Soviets expected that the American churches would be hostile towards them, and that American liberals would be divided in their opinion, they were surprised and disappointed that American unions, with few exceptions, were strongly opposed

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[1]Michael Farbman, "Challenge of the Five Year Plan," The New Republic, LXVIII (September 16, 1931), 122-26.

[2]Walter A. Rukeyser, "I Work for Russia: The Worker at Work," The Nation, CXXII (May 27, 1931), 577-79.

to the Soviet Union.[1] The President and Vice-President of the American Federation of Labor, Samuel Gompers and Matthew Woll, were particularly adamant in their opposition to American recognition of Soviet Russia and even opposed the establishment of commercial relations with the Soviets. Gompers not only opposed a resolution at the 1922 convention of the A. F. of L. which called for American recognition of the Soviet Government, but he personally wrote to Secretary of State Hughes in May, 1922 in order to strengthen the policy of Soviet nonrecognition.

In a letter written to Hughes on May 7, 1922, Gompers alleged that the Bolsheviks "had driven out the democratic Labor Government of Georgia in order to assist international capitalists to obtain possession of oil fields there."[2] In the following week, Gompers again wrote to Hughes, and in a less inflammatory mood, he reiterated the opposition of the A. F. of L. to American recognition of the Soviet Government, in spite of the growing volume of trade between the United States and Russia. The Soviet Government, he wrote, was not a popular government, and suppressed the development of a free labor movement in Russia while it fomented revolution throughout the

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[1] Sidney Hillman and Joseph Schlossberg, respectively the President and Secretary of the Amalgamated Clothing Workers of America, were among the few American labor leaders to sympathize with the Soviet Union. Hillman, like many in his union, was a Russian Jew by origin and a socialist in his youth. No doubt he was impressed by the initial socialist idealism of the Bolsheviks and their efforts to emancipate the Russian Jews.

[2] New York Times, May 9, 1922, p. 7. Gompers was unable to offer proof of his allegation.

world. The Soviets took notice both of Gompers's campaign against them and the friendlier attitude which prevailed in American business and financial circles.[1]

Ironically, American businessmen were among the most important groups in the United States to support close commercial and political ties with Soviet Russia. When the Soviets inaugurated the First Five-Year Plan, the American business community expressed doubts about its success, but perceived too that the Plan opened up the possibility of increased trade with Russia.[2] Organized labor, on the other hand, continued to express its hostility towards Soviet Russia. Even at a time when millions of workers were unemployed, and American exports to Soviet Russia had assumed a new importance, the Vice-President of the A. F. of L., Matthew Woll, testified before a Congressional committee investigating Communist activities in New York that Amtorg, the Soviet purchasing agency in the United States, was a subversive organization.[3] After the economic collapse of 1929, the question of Communist propaganda activities in the United States became tied up with the question of Soviet-American trade.

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[1] Pravda, November 23, 1923, p. 2.

[2] The First-Five-Year Plan also opened up job opportunities for American engineers and technicians. After October, 1929, several thousand American skilled workers, largely of European birth, found employment in Russia. When the Kremlin decreed in 1931 that the children of these workers would have to attend Soviet schools, the American State Department feared that the children would be indoctrinated with Marxism-Leninism.

[3] New York Times, July 18, 1930, p. 1.

After ten years of unprecedented prosperity, the American stock market collapsed in October, 1929. Faced with the most serious economic crisis in her history, the United States looked to her foreign trade as a way of reviving domestic prosperity. The Soviet Union was the only major country that increased her trade with the United States in 1930, thereby becoming the eighth most important foreign market for American goods.[1] The United States, however, sold much more than it bought from the Soviet Union, and this commercial imbalance reached its most extreme point in 1930. The Soviets had balanced their imports from the United States by greatly expanding their exports of petroleum, lumber, manganese, and even of such items as flax, eggs, sausage casings, and cotton cloth, the last of which was rationed in the Soviet Union.[2]

With mounting unemployment in the United States, the government at Washington, like all the governments of the major industrial nations, decided to deal with the depression as a domestic problem. Among the first measures taken by the Hoover Administration was an attempt to place a ban on Soviet imports. On May 2, 1930, the Police Commissioner of New York City, Grover Whalen, announced that he had evidence that the Amtorg Trading Corporation was being used by the Third International to disseminate propaganda and conduct espionage in the United States.

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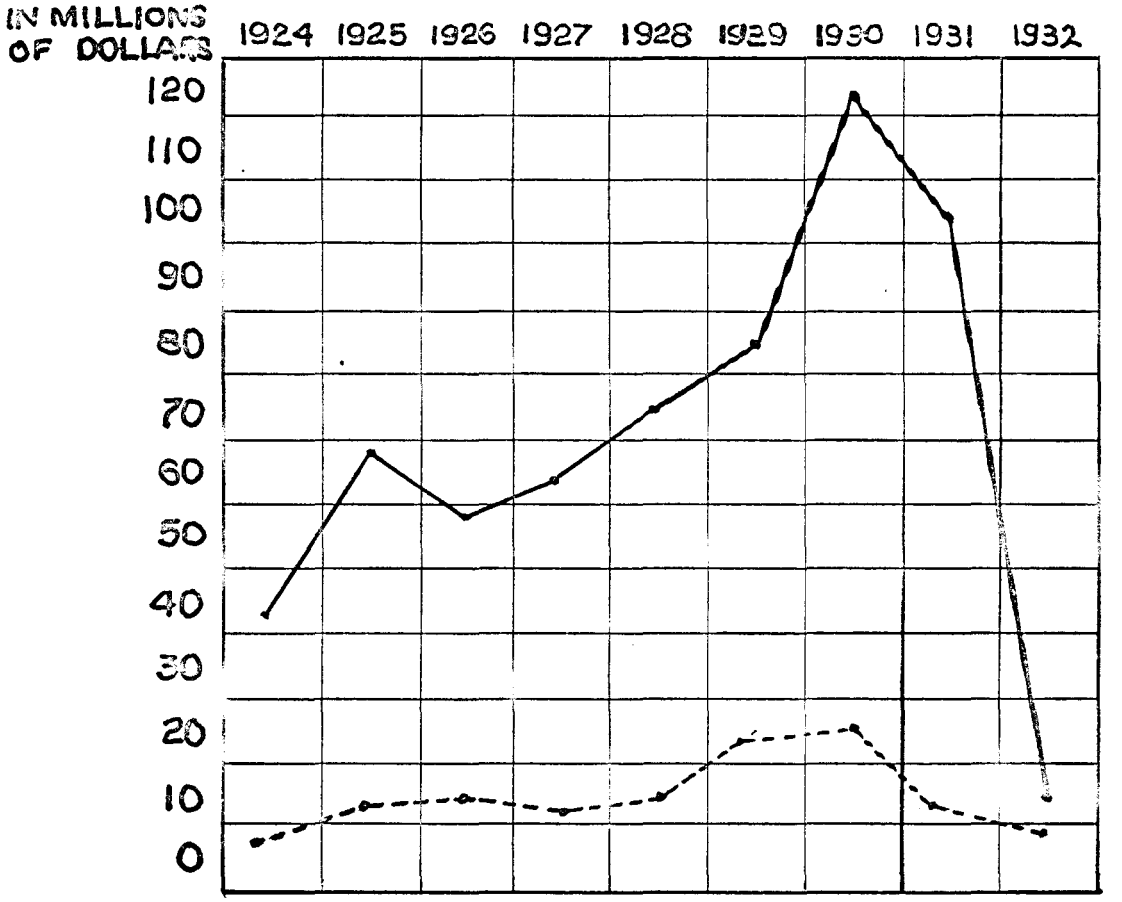
[1] In terms of the total exports of the United States, however, her exports to Russia constituted only 3 per cent of all American foreign trade in 1930.

[2] Even scrap iron, old rubber, and used cork were collected for export.

American Trade with the Soviet Union, 1924-1932



Year	Exports to USSR	Imports from USSR
1924	$42,102,738	$8,158,801
1925	68,906,000	13,236,073
1926	49,905,642	14,121,992
1927	64,921,693	12,876,791
1928	74,091,235	14,024,525
1929	85,011,847	22,551,434
1930	114,398,537	24,385,786
1931	103,668,808	13,206,393
1932	12,466,249	9,906,885

Figure 1

Whalen released a group of letters to the American press that were allegedly exchanged between Amtorg's New York office and a person identified only as Feodor, an agent for the Third International. A Congressional committee investigated Whalen's allegation, and at the hearings the Amtorg Chairman, Peter Bogdanov, threatened to sever Russian trade with the United States if the charge of espionage was not withdrawn. Although Whalen's allegation was proven to be a complete fabrication, there ensued a drastic decline of American trade with Russia in 1931.[1]

During the world-wide economic depression of the 1930's, the prices of raw materials, semi-processed goods, and foodstuffs fell faster than the price of manufactured goods, which forced the Soviets to expand their exports of wheat, petroleum, lumber, and other raw materials. This was the method by which Russia had always paid for her imports from the West, and throughout the 1920's, Soviet Russia also had attempted to increase her production of cereal grains, both for domestic consumption and for export. Even while parts of Russia were in the grip of a severe famine, Soviet officials were planning in 1923 to resume her traditional exports of wheat to the West. But how, the Soviets asked in 1923, could Russia export her wheat when the United States and Canada also had large surpluses of wheat for export?

Ironically, it was American exports of machinery and

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[1]During 1930, other false charges of espionage and smuggling were raised against the Amtorg Corporation.

equipment to Russia that enabled the latter to recover from the devastation caused by the World War and the ensuing civil conflict. Furthermore, American agricultural experts went to Russia during the 1920's to teach the Russian and Ukrainian peasants how to use this machinery, and how to adopt scientific methods of farming. Russia, however, had only poor or average wheat harvests in the years 1925 through 1928, but in the summer of 1929, she finally enjoyed a large wheat crop. Unfortunately for the Soviets, all the major wheat-producing nations also had large surpluses of wheat in 1930.

When the Soviet authorities sold almost five million bushels of wheat on the Chicago grain market in September, 1930, the Hoover Administration immediately alleged that the Soviets were dumping their wheat on the American market.[1] Secretary of Agriculture Hyde hurried to Chicago to confer with representatives of the Chicago Board of Trade, but the Hoover Administration and the Board completely disagreed on the legitimacy and importance of the Soviet wheat sale.[2] Nevertheless, the Board of Trade acceded to the Government's point of view on this matter and declined to handle any further Soviet grain transactions.

At the international conference of wheat-producing nations held in Rome during the spring of 1931, the American

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[1] In November, 1930, Secretary of Agriculture Arthur Hyde and Secretary of State Henry Stimson decided to ban the importation of Russian casings on the grounds that they did not meet American sanitary standards.

[2] New York Times, September 21, 1930, p. 1.

delegation urged that limitations be placed on wheat production rather than on wheat exports. Although the Soviets rejected this proposal, they indicated that they would accept a wheat quota system with the condition that Russia be permitted to resume her pre-war status as a wheat exporting nation and apparently the Hoover Administration agreed to this. In spite of their large wheat surplus in 1931, the Soviets cancelled a large part of their anticipated wheat exports, and, subsequently, the prices on the Chicago grain market rose sharply.

In 1930, Congress passed the Hawley-Smoot Tariff which forbade the importation of products made by forced labor in an effort to cut imports from Russia and several other less important countries. American mining interests evoked this clause in the Tariff and charged that the Soviets were dumping anthracite coal and manganese on the American market. While there was no doubt that the Soviets maintained forced labor camps and had increased their exports of manganese to the United States in 1930, the American mining companies were no match for the powerful iron and steel interests who preferred cheap Russian manganese and hard coal over the domestic products. When the American Iron and Steel Institute protested the proposed ban on Russian manganese imports, the Secretary of the Treasury, Andrew Mellon, quickly concluded that an embargo on the metal was not justified.[1]

A similar struggle over the importation of Russian lumber and plywood erupted between domestic lumber interests and com-

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[1]Williams, American-Russian Relations, 1781-1947, p. 223.

panies engaged in trade with the Soviet Union. However, these economic interests were equally powerful, which was reflected in the vacillation of the Treasury Department over this issue. The Assistant Secretary of the Treasury, Seymour Lowman, banned the importation of Russian pulpwood on July 25, 1930, but the pressure on the Treasury Department to admit the pulpwood became so intense that the Department reversed its decision in the following week.[1] On February 10, 1931, the Secretary of the Treasury again placed a ban on the importation of Russian lumber and pulpwood, but three months later, the Treasury Department ruled that a shipment of Russian lumber had not been processed by forced labor.

The Soviets reacted strongly to the American embargo. Izvestia warned in October, 1930 that the expanding Russian market would be closed to nations who barred Soviet exports.[2] This warning was repeated by Premier Molotov in a speech to the All-Union Congress of Soviets on March 8, 1931; he denied that forced labor was used in Russian lumber camps and vehemently denounced the charge that Soviet Russia was dumping her goods on the world market.[3] In 1931, the Soviets retaliated against the Hoover's Administration economic policy towards Russia

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[1]Peter G. Filene, Americans and the Soviet Experiment 1917-1933 (Cambridge: Harvard University Press, 1967), p. 230.

[2]An outcry was raised against Soviet dumping in such non-industrial nations as New Zealand and Turkey as well as in the industrial nations of North America and Europe.

[3]Actually, the Soviet Government did understand the relationship between the economic depression and the inability of the United States to absorb Russian exports. Izvestia, January 14, 1932, p. 2; DVP, XIV, 522.

by shifting the bulk of their industrial orders from the United States to Germany, who had offered them long-term credit.[1]

The loss of the Russian market was deeply regretted in American business circles, particularly since there was no improvement of the economic situation in the United States during 1931 and 1932. On March 8, 1931, Secretary of State Stimson announced that the State Department would undertake a special study of the Russian situation; two days later, both Hoover and Stimson emphatically stated that the study did not imply American recognition of the Soviet Union. Nevertheless, the President of the General Motors Corporation, Alfred Sloan, wrote a personal letter to the Secretary of State in which he congratulated him for having taken this step which would lead to American recognition of the Soviet Government.[1]

The economic depression that began in 1929 had seriously weakened the policy of nonrecognition. A number of businessmen urged the Hoover Administration to move towards the establishment of diplomatic relations between Washington and Moscow in order to facilitate American exports to Russia. This, they said, would stimulate the domestic economy. But other powerful economic interests, including the National City Bank, opposed Soviet recognition because their Russian property had been

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[1] In 1926, the Soviets had placed large industrial orders with German manufacturers, but in the following year, the Germans refused to renew a credit arrangement with Moscow amounting to 75 million dollars. No satisfactory arrangement could be reached between the two countries, and the German-Soviet commercial talks were broken off in 1928.

[2] Letter of Alfred P. Sloan, Jr. to Stimson, March 21, 1931, NA, State Department Files, 861.00/1656.

nationalized by the Bolsheviks. With the support of the National City Bank of New York City, President Hoover was able to resist the mounting pressures for Soviet recognition during 1931 and 1932.

CHAPTER V

THE STRUGGLE IN THE UNITED STATES OVER THE RUSSIAN DEBTS: INDUSTRIAL VERSUS FINANCIAL CAPITAL

The basic law of the United States, the Constitution, proclaimed the right of private property, and upheld the individual's obligation to repay all debts and fulfill the terms of all business contracts. Shortly after seizing power in Russia, the Bolsheviks nationalized all foreign property and cancelled her entire foreign debt. Because of the Kremlin's refusal to recognize American loans to the Imperial and Provisional Russian governments, the Republican administrations of the 1920's refused to recognize the Soviet Government. In addition to having nationalized all foreign property in Russia, the Soviets initially refused to compensate the former owners for their losses. No doubt, the majority of the American people felt that these arbitrary and unjust actions by the Bolsheviks fully justified the policy of Soviet nonrecognition.

The Kremlin, for its part, raised counter-claims against the United States stemming from the Allied intervention in Russia after World War I. Soviet propagandists constantly reminded the Soviet people that the United States had been intent

on destroying the Bolsheviks in 1919 in order to pave the way for the reestablishment of tsarist society with all its inequities and injustices. As for its repudiation of the debts incurred by the Imperial and Provisional governments, the Kremlin pointed out that the United States had refused to recognize the Confederate debts at the end of the American Civil War.

The entire question of the Russian debts became a maze of claims and counter-claims, of statements and counter-statements, and both the United States and the Soviet Union used the debt question for their own political purposes. When Russia was in the midst of a terrible famine in 1921 and desperately needed American assistance, the Soviets informed the American Relief Administration that they would recognize the pre-War foreign debts of the Russian Empire.[1] In actuality, even if the Soviets had wanted to pay Russia's foreign debt to the United States, they would have been unable to do so. Furthermore, recognition of their American debts would have involved recognition of the much larger Russian debts owed to British and French interests.

In spite of the magnitude of these foreign claims, the Soviets attempted to negotiate Russia's European debts at the Genoa and Hague conferences. In return for their recognition of the Russian debts, the Soviets demanded a large loan on favorable terms from Western Europe. To make this arrangement more attractive, the Kremlin indicated that it was willing to

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[1]Telegram of Colonel William Haskell to Hoover, November 5, 1921, Hoover Papers, AG 3: Box 259.

grant concessions to foreign interests for the exploitation and development of Russia's natural resources; however, the Soviets were unable to reach a mutually satisfactory agreement with Great Britain and France, and they turned to the United States for financial and technical assistance.

The Soviet Government was encouraged by a speech of President Coolidge which was given on December 6, 1923. Coolidge stated that if Soviet Russia would recognize her American debts and cease her hostile propaganda, the United States would be willing to render economic help to Russia. The Soviet Foreign Minister, George Chicherin, immediately called for an open discussion of Russia's debts between Moscow and Washington; but Secretary of State Hughes insisted on the immediate and complete payment of Russia's debt to American interests as a preliminary condition for any discussion between the two nations.[1] The Soviets felt that the government at Washington followed a discriminatory policy towards them over the question of the Russian debts. While the debts incurred by Russia were much smaller than the sums owed by Great Britain and France to the United States, Washington was willing to negotiate the question of the Allied debts, but insisted on the immediate and full payment of the Russian debts.[2] Furthermore, the Soviets argued, the destruction of Russian property caused by American involvement in the Russian civil war had obviated

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[1] DVP, VI, 547.

[2] Pravda, December 4, 1921, p. 4.

their obligation to pay Russia's American debts.[1]

Although the Soviets were unable to reach a satisfactory settlement of their foreign debts with either the United States or with Western Europe, they were still in great need of foreign capital and technical skills. As early as November, 1920, the Kremlin declared that foreign concessions in Russia would be subject neither to nationalization nor to confiscation and requisition. The decree stated too that foreign interests holding concessions in Russia would be allowed to keep the profits from their concessions, subject to the terms of the agreements with the Soviet Government, and would also be allowed to take these profits out of Russia.[2]

For a short time, it seemed that the Kremlin might even give up its control over Russia's foreign trade. In July, 1923, the Soviet Government agreed to permit the Allied-American Corporation to conduct its business relations with Russia free from state interference or control. The corporation served as a middleman in American-Soviet trade; this involved the shipment of machinery and tools to Russia and the importation of Russian goods, consisting principally of raw material, into the United States.[3]

Other Soviet concessions indicated a major change in the Kremlin's attitude towards capitalism. In June, 1925,

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[1] Ibid., January 4, 1924, p. 2.

[2] DVP, III, 339.

[3] The corporation signed contracts with thirty American companies to furnish Russia with machinery and tools. New York Times, July 9, 1923, p. 3.

the Soviet Government signed a twenty-year concession with the W. A. Harriman Company for the development of the manganese mines at Chiatouri in the Georgian S.S.R.; this concession marked the establishment of large-scale American business interests within Soviet Russia. In the previous month, the Soviets had granted an important concession to the Anglo-American Lena Goldfields Company for the exploitation of three large districts in Siberia, totalling 1,500,000 acres.[1] Since this company had held property in tsarist Russia, the concession was widely hailed in the United States and Europe as the first step in offering restitution to those interests whose property had been nationalized by the Bolsheviks.[2]

The Kremlin hoped that because of these large concessions, the Coolidge Administration would reconsider the policy of Soviet nonrecognition. In 1925, the Soviets again offered to open discussions with Washington over the Russian debts, and even stated that they would recognize the foreign debts of the Imperial and Provisional governments.[3] But, in 1926, Litvinov added that Soviet recognition of these debts was contingent upon American recognition of the counter-claims stemming from the Allied intervention of 1919. However, the Coolidge Administration was neither moved by these offers to

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[1]The Lena concession was negotiated by Walter Lyman Brown, a former director of the A.R.A.

[2]The Lena Goldfields Company had held property on a tsarist concession within the same area as the Soviet concession.

[3]New York Times, December 22, 1925, p. 4.

open talks over the Russian debt nor by the concessions granted to American interests.

As Russia regained her economic strength, the Soviets lost interest in granting simple concessions for the exploitation of Russia's natural wealth, and grew more interested in concessions of an industrial and technical nature. In February, 1927, the Vice-Chairman of the Concessions Committee, Adolph Joffe, announced that the Soviet Government would no longer grant foreign interests the right to control a large part of Russia's industry. Joffe announced too that the Soviets would no longer grant concessions of a strictly commercial or financial nature, and, he added, the Soviets could satisfy Russia's basic need of raw materials without foreign assistance.[1] In mid-1927, the Harriman Company cancelled its twenty-year manganese concession after having operated the mines at Chiaturi for only three years. Alexis Rykov, the Soviet Commissar of the Interior, emphasized again in November, 1929 that the Soviet Government was no longer interested in concessions like those given to the Harriman Company, but instead preferred to grant short-term technical assistance contracts.[2]

These contracts not only provided the Soviet Union with industrial skills and capital, but were also a means by which the Soviets felt that they could settle their debts owed to

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[1] Ibid., February 13, 1927, p. 5.

[2] The Soviets granted several technical-help contracts in 1929, including contracts with the Ford Motor Company and the Gillette Safety Razor Company.

American industrial interests.[1] On October 9, 1928, the General Electric Company signed an agreement with the Amtorg Trading Corporation, which acted on behalf of the Soviet Government. Under the terms of the agreement with the Kremlin, the General Electric Company granted 21 million dollars in credit, at a high rate of interest, for the purchase of electrical equipment and machinery over a period of five years. The Soviets greeted this agreement as a move towards the end of the American credit blockade and a step leading to American recognition of the Soviet Union.[2]

Since the Lena Goldfields Company had accepted a concession with the understanding that this cancelled its claims against Soviet Russia, the Soviets assumed that the agreement with the General Electric Company also settled that company's Russian claims, which amounted to 1,750,000 dollars. Although the President of the International General Electric Company, Clark Minor refused to elaborate, he did make a terse statement in October, 1928 that the Soviet contract did, in fact, satisfy his company's claims against Russia.[3] The General Electric Company was apparently satisfied with the terms of its

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[1]These were comparatively small debts as compared to those owed to West European interests.

[2]Pravda, October 21, 1928, p. 1.

[3]The agreement between the Kremlin and the International General Electric Company alarmed German business circles, particularly the Allegemeine Elekrizitäts Gesellschaft, whose president, Felix Deutsch, had tried to persuade the General Electric Company not to enter the Russian market.

contract with Soviet Russia because it signed another contract with the Kremlin in 1929, which provided for an exchange of engineering and manufacturing information between that company and the Soviet Union over a period of ten years.

The United States, however, was not impressed by the Soviet contract with the General Electric Company and continued to oppose long-term credit arrangements between American manufacturers and the Soviet Union.[1] Washington's financial policy towards the Soviets had the complete support of the largest bank in the United States--the National City Bank of New York City. This bank was among the six large American concerns who had held property and investments in the Russian Empire that were later nationalized by the Bolsheviks.[2] Following the outbreak of World War I, the New York Bank floated large loans to the Imperial and Provisional governments, and as security for these loans, the Russian Ambassador to the United States deposited 56 million dollars with the bank. After the Bolshevik coup d'état in Petrograd, the National City Bank floated a large loan to the government of Admiral Kolchak at Omsk which controlled most of Russia's gold reserves as well as the greater part of Siberia.

As the largest bank in the United States, and after 1926 the largest private financial institution in the world,

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[1] FRUS: 1927, II, 653-54.

[2] The National City Bank organized a committee of American concerns who had lost their Russian property to the Bolsheviks.

the National City Bank could profoundly influence American financial policy towards the Soviet Union. In 1919, the unofficial Soviet representative to the United States, Ludwig Martens, notified the National City Bank that all Russian funds in the United States were property of the Bolshevik regime, but the Bank refused and the American State Department supported this decision on the ground that the Bolsheviks were not the legitimate rulers of Russia.[1] After having failed to obtain a loan from American banks in the fall of 1927, the Soviets unsuccessfully attempted to negotiate the Russian claims of the National City Bank. Discussions were opened again in 1929 when the Chairman of the Russian State Bank, Aaron Scheinman, met with Charles Mitchell, the Chairman of the Board of the National City Bank. As a result of Scheinman's meeting with Mitchell, a vice-president of the Bank went to Moscow to continue the discussions with Alexis Rykov, the Chairman of the Council of the People's Commissars, but these too proved to be fruitless. There matters remained until the Japanese invasion of Manchuria.

The difficulties of the National City Bank in recovering its Russian property did not discourage the Chase National Bank and the Equitable Trust Company from acting as the principal financial agents for the Soviets in the United States. The Chase

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[1]The representative of the Provisional Government in the United States, Boris Bakhmeteff, also claimed the right to this money.

National Bank, the second largest financial institution in the United States, was unencumbered by any property claims against Russia in its commercial relations with her. The Chase National Bank and the Equitable Trust Company enjoyed considerable success in financing American exports, but the State Department refused to sanction any long-term credit arrangements between the United States and Russia. Late in 1927, Under Secretary of State Robert Olds emphatically stated that while the State Department had no objections to American trade with Russia, it strongly disapproved of any "financial projects involving the flotation of loans in the American market, and to the banking arrangements not incidental to the sale of American commodities to Russia."[1] When the Chase National Bank, in collaboration with banks in San Francisco, attempted to float Soviet railway bonds on the American market in January, 1928, the New York Life Insurance Company vigorously protested to the State Department over the projected transaction because the company held Russian railway bonds that had been issued by the Russian Empire. Although the Soviet bonds were not for public sale, the State Department informed the Chase National Bank that it strongly disapproved of the loan and the Bank acceded to the Government's wishes.

Although the bulk of the Russian Imperial gold reserves had ended up in the possession of the United States, Washington continued to maintain a theoretical ban on Russian gold shipments. By 1927, Soviet Russia was annually producing gold valued

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[1] FRUS: 1927, III, 654.

at 25 million dollars; the Soviets hoped that the direct shipment of this gold to the United States would correct their adverse balance of trade with her and help them establish long-term credit with American manufacturers. However, when the Soviets shipped 5 million dollars in gold to the Chase National Bank and the Guaranty Trust Company in February, 1927, the United States Treasury refused to assay the gold.[1] Despite these setbacks, the Chase Bank continued to urge American businessmen to expand their trade with Russia and to press the Government to establish diplomatic relations with the Soviets.[2] In August, 1932, the Chase National Bank and the International Acceptance Bank arranged to sell Soviet bonds in the United States, and their sale was unopposed by the Hoover Administration.[3] By this time, the attitude of the government at Washington and of the American business community had undergone a considerable change towards

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[1]The Bank of France claimed that this particular gold had been deposited by the Bank of France before 1917 in the State Bank of Russia and was later illegally confiscated by the Bolsheviks. The French Government protested the gold shipment to the United States, and the Hoover Administration sent a note of apology to the French Ambassador to Washington. It should be noted that at this time the French Chamber of Deputies was considering a bill to nationalize the French oil industry, which was of great concern to the Standard Oil interests.

[2]Although the National City Bank of New York City had taken the lead in establishing the Russian-American Chamber of Commerce in the spring of 1917, this trade organization was largely dominated by the Chase National Bank during the late 1920's and early 1930's.

[3]These Soviet bonds were backed by gold and redeemable in American currency.

the issue of Russian loans in the United States.

In 1931, the officers of the National City Bank also reexamined their attitude towards the Soviet Union in light of the Japanese invasion of Manchuria. The National City Bank, the most important American bank in the Far East, suffered the greatest losses of any American enterprise in Japanese-occupied Manchuria, some of these losses were deliberately planned by the Japanese and some were incidental to their occupation of Manchuria. Only one month after the Japanese invasion of Manchuria had been launched, the Japanese authorities closed two Chinese banks which were holding large sums of silver owned by the National City Bank.[1] Moreover, a large part of the Bank's business in Manchuria had been with the Government of Manchuria and with firms who served the government at Mukden, and as a result of the Japanese occupation of Manchuria, the National City Bank lost this important source of revenue.

During the fall of 1931, the Japanese deliberately raised the remittance fee for transmitting money between the main office of the National City Bank and its branch offices in Dairen, Mukden, and Harbin, and, of a more serious nature, the Japanese Government forbad the Bank from accepting real estate as collateral from any loans that it might wish to make in Manchuria. The protests of the American Ambassador to Japan, W. Cameron Forbes, were to no avail, and the Bank was soon

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[1] FRUS: 1931, III, 20. The National City Bank asked the Japanese authorities to release its silver if they intended to keep the Chinese banks permanently closed.

forced to close its offices in Manchuria.

These Japanese actions in Manchuria, the business depression beginning in 1929, and the Soviet readiness to discuss the debt question stimulated a new round of discussions between the National City Bank and the Soviet Union in 1932. In April, 1932, the head of the Amtorg Trading Corporation, Peter Bogdanov, informed the Bank that the Soviet Government was ready to settle the question of the Russian debts, with the condition that the Hoover Administration recognize the Soviet Union.[1] Four months later, however, Stalin informed an official of the National City Bank that the Kremlin would discuss its Russian claims without any preconditions; consequently, the Bank opened commercial discussions with the Amtorg Corporation.[2] When the Soviets asked for long-term credit in January, 1933 to buy American sugar and copper, the National City Bank raised no objection with the government at Washington.[3] Thus, the last major economic barrier to American recognition of the Soviet Union collapsed under the blows of the Depression and the Japanese seizure of Manchuria.

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[1]Memorandum by Assistant Secretary of State White, April 4, 1932, NA, Department of State Files, 861.01/1812.

[2]Stimson, Diary entry of September 16, 1932. By this time it was apparent that the Republicans would be defeated in the November elections.

[3]Memorandum of State Department conversation with W. W. Lancaster, January 20, 1933, NA, Department of State Files, 861.01/1770.

PART III

THE DEVELOPMENTS IN THE FAR EAST, 1919-1933, AND THE COLLAPSE OF THE POLICY OF NONRECOGNITION

CHAPTER VI

THE HISTORICAL BACKGROUND: THE STRUGGLE FOR CONTROL OF MANCHURIA AMONG THE UNITED STATES, JAPAN, AND THE RUSSIAN EMPIRE, 1903-1917

The entire thrust of United States' expansion has been to the west, across the North American continent; after having reached the western shore of the Pacific, she sought to extend her power and influence throughout all the lands bordering the world's largest ocean. Even at the beginning of the nineteenth century, New England merchants dreamed of tapping the rich markets of China, and the century closed with the Spanish-American War which marked America's triumph as a power in Asia. American foreign policy in the Far East during the years 1898-1917 was based on a desire for a balance of power in order to permit American access to Asian markets and utilization of Asian raw materials.

To maintain this balance of power, American statesmen generally opposed any major territorial changes in the political boundaries of Asia after 1898, except for the cession of the southern part of Sakhalin Island to Japan in 1905. Washington generally supported the weaker against the stronger powers in Asia, a policy similar to that of Great Britain in Europe;

therefore, the United States supported Japan against the Russian Empire in 1903. Manchuria was the key to the control of Northeastern Asia, and the Roosevelt Administration apprehensively watched the absorption of that vital area into the Russian sphere of influence.[1]

The United States could not directly intervene in Manchuria at that time, but was dependent upon the outcome of the struggle between Russia and Japan for supremacy in Northeastern Asia. On January 12, 1904, nearly one month before the outbreak of war, the Roosevelt Administration assured Tokyo that in the event of an outbreak of hostilities between Japan and Russia, the United States would maintain a benevolent policy towards Japan.[2] Washington hoped that Japan would block Russia's push towards the Yellow Sea, and that a war would exhaust both powers, which would enable the United States to establish her influence over Manchuria.[3] Japan did indeed win a decisive victory over the Russian Empire: Russia lost her pre-eminent position in Korea, the Russian navy was destroyed by the Japanese, and the Russians lost their influence over Southern Manchuria.[4]

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[1]Prior to World War II, this was the only occasion in which American and Russian interests clashed over a specific territory.

[2]Edward H. Zabriskie, American-Russian Rivalry in the Far East: A Study in Diplomacy and Power Politics 1895-1914 (Philadelphia: University of Pennsylvania Press, 1946), p. 86.

[3]Ibid., p. 101.

[4]Not only Russia, but Great Britain, France, and Germany were hindered from any further expansion in China, and the partition of that country was indefinitely delayed because of the new balance of power created by the war.

this victory had been won without the loss of a single American life or the expenditure of any of the resources of the United States.

While Manchuria was the key to the control of Northeastern Asia, the railroad was the key to the control of Manchuria. After the Russo-Japanese War, circumstances were propitious for the economic penetration of Manchuria by American interests. The American businessman, Edward Harriman, envisioned an American-owned Eurasian railroad line, which, had it been successfully established, would have united four of the most populous nations of the world into a single market: the United States, China, Japan, and Russia. Such a railroad, he thought, would allow American businessmen to tap the markets of China, India, and Russia and enable the United States to assume a commanding political position in the Orient. Harriman's plans called for a railroad which would begin in Manchuria and connect with the Trans-Siberian Railway, in which American interests would obtain transportation rights. The rail system would end in St. Petersburg, where a steamship line would connect European Russia with the East Coast of the United States.[1]

The first step in the realization of Harriman's plan for an American-owned railroad across Northern Asia and Eastern Europe was the acquisition of the southern line of the Chinese Eastern Railway, renamed the South Manchuria Railway by the Japanese, which they had just acquired from Russia. Harriman

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[1] George Kennan, E. H. Harriman's Far Eastern Plans (Garden City: Country Life Press, 1917), p. 4.

envisioned no difficulties with Japan over the South Manchuria Railway since the American banking firm of Kuhn, Loeb, and Company, which had floated Japanese war bonds in the United States, now supported Harriman's project. Moreover, Japan was exhausted at the end of the Russo-Japanese War, and was urgently in need of capital.[1]

In the summer of 1905, Harriman and his party sailed for Japan and were initially successful in persuading the Japanese Government to accept a plan which called for joint American-Japanese control of the South Manchuria Railway. However, many Japanese of all social classes felt that their country had been denied the fruits of her victory over Russia by the manipulations of the United States at the peace conference held at Portsmouth, New Hampshire. For this reason, when the Japanese Minister of Foreign Affairs, Baron Komura, returned from the peace conference, he blocked the agreement between Harriman and the Japanese Government.[2]

In the spring of 1906, Jacob Schiff of Kuhn, Loeb, and Company proposed the construction of a trans-Manchurian railroad from the Yellow Sea to the Trans-Siberian Railway, but the Chinese Government refused to grant a concession for the con-

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[1]The South Manchuria Railway itself was in need of repairs and required a considerable expenditure of capital to restore it to working order.

[2]Although Harriman had persuaded the Japanese Premier, Katsora, to sign this agreement, riots broke out in Tokyo when the details of the agreement were released.

struction of such a railroad. Although Harriman died in 1909, the young American Consul-General at Mukden, Willard Straight, had become an ardent advocate of his railroad plans; Straight, like Harriman, regarded Manchuria as the key to American economic penetration of China.[1] In 1907, a British firm, Pauling and Company, received permission to build a railroad in Manchuria, and Straight persuaded the British firm to accept the participation of American capital in building the new railroad. However, the British Government refused to support such a project, and the Japanese and Russian Governments, frightened at the prospect of American economic penetration of Manchuria, signed the first of a series of treaties intended to exclude American interests from Manchuria.

Undaunted, Straight returned to the United States in the fall of 1908 to discuss a plan for the investment of American capital in Manchuria with Secretary of State Root.[2] Straight's plan came closer to realization when he signed an agreement with the Chinese Government of Manchuria on October 2, 1909, which provided for an American loan of 40 million dollars to Manchuria to build a trans-Manchuria railroad from Chinchow to

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[1]The Chinese Governor of Manchuria, chafing under the Russo-Japanese economic domination of Manchuria, sympathized with Straight's railroad scheme.

[2]Ernest Batson Price, The Russo-Japanese Treaties of 1907-1916 Concerning Manchuria and Mongolia (Baltimore: Johns Hopkins University Press, 1933), p. 47. According to Batson, Secretary of State Root was then in conference with the Japanese Ambassador and could not openly accept Straight's plan.

Aigun on the Russian border. Among the powerful and influential financial institutions who floated the loan were the J. P. Morgan Company, Kuhn, Loeb and Company, and the National City Bank of New York City.[1]

To assuage Russian and Japanese fears, Secretary of State Knox circulated a memorandum in the latter part of 1909 which called for the neutralization and internationalization of Manchuria's railroads. Knox's plan was an enlargement of a plan which he had advanced for the same project in 1902, and it involved the purchase and operation of Manchuria's rail system by an international syndicate.[2] Even with the most adroit diplomatic handling, the Knox proposal stood little chance of acceptance. Unfortunately, the memorandum was circulated in a clumsy manner, and even the British Government rejected it.

In 1909, Japan forced the Chinese Government to grant her new railway concessions in Manchuria and Korea which touched off renewed tensions between St. Petersburg and Tokyo. The Knox proposal, however, brought them together in the face of this American threat to their common interests in Manchuria. Japan and Russia renewed their treaty of 1907 in a new secret agreement signed in 1910; the first four articles merely elaborated

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[1]Chang Kai-ngau, China's Struggle for Railroad Development (New York: John Day Company, 1943), p. 56. The British firm of Pauling and Company also participated in the loan.

[2]James William Christopher, Conflict in the Far East: American Diplomacy in China from 1928-1933 (Leiden: E. J. Brill, 1950), p. 50.

and reaffirmed the division of Manchuria into spheres of influence, but new clauses were added by which they agreed to take common action against their mutual enemy--the United States.[1]

The suggested construction of a Sino-American railroad line extending to the Amur River came as a great shock to the Russian Imperial Government; at a meeting of the Council of Ministers held in December, 1910, the Minister of War proposed that Russia annex Northern Manchuria to prevent such a development.[2] However, the Foreign Minister, Sergei Sazonov, urged caution, reminding the Council that if Russia took such a step, she would be internationally isolated; the Russian Government accepted Sazonov's opinion, and Russia did not annex Northern Manchuria. Moreover, the governments at St. Petersburg and Tokyo continued to respect each other's spheres of influence in Manchuria, thereby excluding American interests from that area. Thus ended America's first attempt to obtain control of the Manchurian railway system.

Despite this setback in Manchuria, the United States still sought to obtain a voice in the control of the Manchurian rail system in the years 1910-1917. Japan also tried to strengthen her economic and political position on the Asian mainland, and World War I presented her with the opportunity to fulfill these aims. In 1915, Tokyo imposed the Twenty-One Demands on China,

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[1]The Knox proposal also accelerated the movement for the Japanese annexation of Korea.

[2]George F. Hudson, The Far East in World Politics (Oxford: Clarendon Press, 1937), p. 157.

seven of which concerned the construction of railroads in China, and in 1918, she obtained the right to construct a trans-Manchurian railroad. This violated the Sino-American agreement of 1916 whereby the United States reserved for herself the rights belonging to the American financiers who had sought to construct a railroad extending from Chinchow to Aigun.[1]

In the spring of 1917, the Russian Empire had collapsed under the strain of the German invasion, and in the ensuing chaos, the Bolsheviks seized control of Petrograd and Moscow. Russia temporarily lost her position as a major power in the Far East, and the United States and Japan confronted each other in Manchuria and Siberia. Washington threw its strength on the side of the weaker power in the Far East--Bolshevik Russia--and this had the effect of saving Russia's Far Eastern provinces from Japanese domination and restoring her rights to the Chinese Eastern Railway.

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[1]C. Walter Young, The International Relations of Manchuria (Chicago: University of Chicago Press, 1929), p. 212.

CHAPTER VII

THE ROLE OF THE UNITED STATES IN THE PRESERVATION OF RUSSIA'S FAR EASTERN DOMAIN, 1919-1925

While the issues of trade, debts, and propaganda were important in determining American relations with the Soviet Union, developments in the Far East during the years 1919-1933 were the decisive factors in the relations between Moscow and Washington in that period. Europe, on the other hand, played a relatively insignificant role during the period of Soviet nonrecognition. World War I had seriously weakened Europe internally as well as her cultural and economic domination of the world. The Armistice sounded the death-knell of the Second German Empire, and it temporarily nullified the threat of German territorial expansion in Russia.

Although France and Great Britain emerged from the War as victors, their international positions were actually far weaker in 1918 than they had been in 1914. Central Europe, which had been held together by the sprawling Hapsburg monarchy, was broken up into a number of small, weak states, and in Northeastern Europe, Finland and the three Baltic nations, which were torn from the Russian Empire, lived in constant fear of a Soviet invasion. The new Polish state, that triumph of the Wilsonian

principle of self-determination, could survive only for as long as Russia and Germany permitted her to do so. While Europe had gone into a temporary eclipse, the United States and Japan emerged from the War in a far stronger economic position than they had held in August, 1914; in 1919, the two powers confronted each other in a struggle for power and influence in Eastern Asia.

During 1917 and 1918, however, the Wilson Administration cooperated with the government at Tokyo in an effort to destroy the Bolsheviks who threatened to upset the status quo throughout all Asia. On the first anniversary of the October Revolution, Stalin declared that it was the task of all Communists to participate in the growing revolutionary movement in Asia and to lead this movement in a conscious struggle against the imperialistic powers--the United States, Great Britain, France, and Japan.[1] The historic task of the Russian Communist Party, in this struggle, he said, was "to build a citadel of Soviet power in the East" which would light the path leading to the emancipation of the oppressed peoples of Asia.[2]

Despite these revolutionary statements, the Wilson Administration did not immediately intervene in Russian Far East, partly because of its involvement in Europe during 1917 and most of 1918. Also, in December, 1917, the Japanese Government announced that it would oppose the use of military force in Siberia

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[1]Joseph V. Stalin, Works (Moscow: Foreign Languages Publishing House, 1953), IV, 126, 222.

[2]Ibid., pp. 245-48.

against the Bolsheviks on the grounds that this would only crystallize the feelings of the Russian population in Siberia against the Allies.[1] The Acting Secretary of State, Frank Polk, concurred with this Japanese policy, but in actuality, both Tokyo and Washington were waiting for the most opportune time to intervene in Siberia.[2] In January, 1918, Japanese troops landed at Vladivostok, and six months later, Tokyo informed the Wilson Administration that it would not limit itself to a force of only eight thousand men in that Russian port city. In August, 1918, the United States also decided to send troops to Siberia, and, in taking this action, the Wilson Administration was as much motivated by its fear of Japanese ambitions in Manchuria and Siberia as it was by hostility to the Bolshevik regime.

While he condemned both the United States and Japan for their military venture, in Siberia, Lenin confidentially predicted that the two nations would not cooperate in the Russian Far East, and that this would work to the advantage of the Bolsheviks.[3] Developments in Siberia quickly bore out the validity of Lenin's assertion. In December, 1918, a joint force of American and Japanese troops defeated a group of Cossacks who were terrorizing the local inhabitants of Khabarovsk. But only two months later, General William Graves,

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[1] FRUS, 1918, Russia, II, 12-13.

[2] Ibid., p. 67.

[3] This was a major Soviet thesis which the Kremlin and the Russian Communist Party reiterated throughout the years 1918-1933.

the commander of the American Expeditionary Force, refused to dispatch troops to that Siberian city where the Japanese were engaged in a fierce struggle with a Russian Force, and the former suffered great losses in this incident which the Japanese press widely publicized. The American State Department, for its part, felt that the government at Tokyo was trying to crush the Bolsheviks principally for the purpose of establishing its own control over Eastern Siberia.[1] Washington's suspicions of Japan's aims in Siberia were heightened in September, 1919 when Japanese military authorities at Vladivostok ordered the use of their currency, the yen, in that key Russian port city.[2]

In view of the chaotic civil and military situation in the Russian Far East, Japan was in an extraordinarily favorable position to annex the areas of Russia that bordered the Sea of Okhotsk and establish a pro-Japanese puppet government in the interior of Siberia. The Wilson Administration apprehensively watched these developments, and sought to strengthen the anti-Bolshevik forces in Siberia which would prevent Japan from extending her influence deep into that vast area.[3]

The United States had hoped that the Czech contingents would serve as an effective anti-Bolshevik and pro-Western force in Siberia, but in the latter part of 1918, the Czechs found themselves in a precarious military position. Japan informed the

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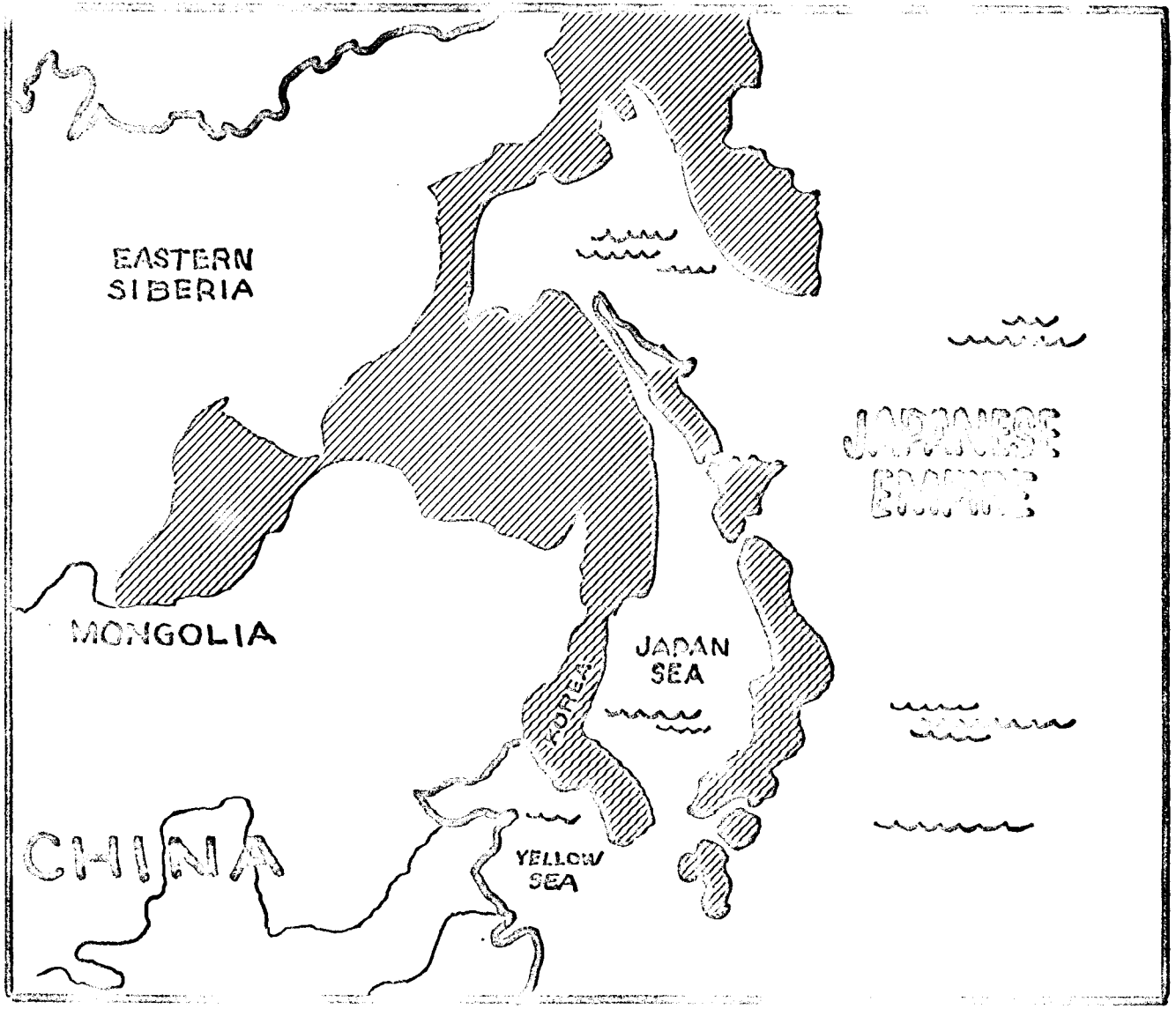
[1] FRUS: 1919, Russia, p. 553.

[2] Ibid., 1918, Russia, III, 64.

[3] The vast extent of Japan's influence in the Russian Far East is indicated by the map on the following page.

AREAS OF RUSSIA UNDER JAPANESE OCCUPATION AT END OF WORLD WAR I



Map 1

American State Department in August, 1918 that she intended to assist the beleaguered Czechs and that she would not limit the number of troops required for this purpose.[1] In spite of the aid rendered by the Allied intervention in Siberia, the morale of the Czech troops continued to decline, and by the beginning of 1919, they simply refused to launch another offensive against the Bolsheviks.

With the collapse of the Czech forces in Siberia, the United States turned to the government of Admiral Kolchak as an effective barrier to a victory of both the Bolsheviks and the extreme counter-revolutionaries and their Japanese allies. But as early as January, 1919, the American State Department began to receive disquieting reports that Kolchak's government at Omsk was neither popular with the Russian masses in Siberia nor capable of organizing an effective military force to fight the Bolsheviks. Moreover, the entire area east of Lake Baikal was under the control of the White Russians and the Cossacks. Kolchak tried to reach an understanding with Gregory Semenov, the most prominent of the Cossack leaders, but this was difficult to achieve because he was virtually independent of any Russian civil authority. In September, 1919, the government as Omsk formally recognized the military authority of the White Russians over the vast area stretching from Irkutsk to Vladivostok; this action of Kolchak's government created additional difficulties for the United States.

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[1] FRUS: 1918, Russia, II, 325.

Although the relations between Japan and the Russia had been marked by national and racial conflicts, the Russian counter-revolutionaries and the Japanese were able to reach an agreement which stipulated that the government at Tokyo would furnish Semenov's forces with military supplies and money.[1] In return for this aid, Semenov promised that Japan would be granted large concessions to exploit Siberia's enormous natural wealth.[2] American business circles were also interested in Siberia's markets and natural resources, and in November, 1919, Kolchak's government notified the American Consulate at Omsk that it had lifted the tsarist ban on the importation of foreign oil products into Siberia.[3] In spite of this friendly gesture towards American oil companies, the Wilson Administration realized in mid-1919 that Kolchak's government was on the verge of collapse and therefore approved of only limited financial aid to his forces.[4] While it became increasingly clear to the United States that the anti-Bolshevik government at Omsk would soon fall before the advancing Red Army, she hoped that the Russian railway system in Siberia and Manchuria would permit American economic interests to gain access to the markets and natural resources of Siberia.

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[1] Ibid., p. 456; New York Times, January 2, 1922, p. 1.

[2] Pravda, January 10, 1922, p. 3.

[3] New York Times, November 9, 1919, p. 26.

[4] FRUS: 1919, Russia, p. 430. The Wilson Administration disapproved of a projected Anglo-American loan of 50 million dollars to Kolchak's government, but instead received a loan of only 7 million dollars.

In the chaos that followed World War I, Russia temporarily lost control of her vital railway system in Asia. On November 26, 1917, the Commissariat of Foreign Affairs informed the Chinese Government that the special committee that had supervised the Chinese Eastern Railway was dissolved by a Bolshevik decree.[1] This opened the way for a new arrangement over the status of the railroad between the governments at Peking and Moscow.[2]

China, however, was weak and divided while across the Sea of Japan, Tokyo was waiting for the opportune moment to seize the vital Manchurian railroad as well as the Russian railway system in Siberia. In the early part of 1918, the Wilson Administration encouraged the government at Peking to assert its authority over the railway because of the chaotic situation in Russia and Japanese ambitions to the situation in Russia for her own advantage.[3] Unfortunately for Washington, China delayed taking action, and this worked to the advantage of Japan. In March, 1918, Peking and Tokyo agreed to joint military control of the Chinese Eastern Railway, but only one month after this agreement was signed, Japanese troops began to extend their military operations beyond their zone of author-

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[1]The committee was comprised of Chinese and Russian members.

[2]Since the Soviets had lost control of the railway, anyway, they later declared in a flush of revolutionary fervor that as of July 26, 1919, the Chinese Eastern Railway would belong to the Chinese people.

[3]FRUS: 1918, Russia, II, 304, 353.

ity. This action, the Wilson Administration feared, meant that Japan intended to extend her authority over the entire length of the vital railroad.[1] But Japan lacked the economic and military strength to assert her control over the entire rail system of Eastern Asia.

On July 18, 1918, a few months before the end of World War I, a group of American bankers suggested to the State Department that a financial consortium be formed of American, British, French, and Japanese interests for the purpose of regulating all post-War international loans to China. In May, 1919, financial representatives of the four powers opened discussions in Paris concerning the formation of a new consortium concerning loans to China; these talks resulted in an agreement which was signed in October, 1920.[2] Japan was unable to oppose the United States at Paris whose interests prevailed in the new Consortium, and the Kremlin, no doubt, took notice of this.[3] The agreement of 1920 provided that no member of the Consortium could float a loan to China without consulting and including the other three powers, and since the United States emerged from World War I with a large amount of export capital, American interests would naturally dominate any such loans. The agreement stated too

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[1] Ibid., p. 353.

[2] The pre-World War I China Consortium included Russia and Germany but not Japan.

[3] Akademia Nauk SSSR, Mezhdunarodnie Otnosheniiakh Na Dalnem Vostoke, 1870-1945 (International Relations in the Far East, 1870-1945) (Moscow: State Press of Political Literature, 1951), p. 326.

that none of the members of the Consortium would finance any new rail construction in China, and since the government at Mukden had launched an ambitious program of railroad construction, this stipulation had the effect of checking Japanese ambitions in Manchuria during the 1920's.[1]

Japan suffered other setbacks in the negotiations leading the establishment of the Consortium; the American State Department rejected a Japanese proposal that Southern Manchuria and Eastern Mongolia be designated as areas outside the scope of the Consortium. The British Government supported the American position in a memorandum handed to the Japanese Ambassador at London; overruling Japan's protests of her special interests in Mongolia and Manchuria, the British pointed out that her domination of Inner Mongolia would envelop Peking, and that Japanese armies could invade China proper from Manchuria and Mongolia.[2] Tokyo won only one concession from the Consortium: recognition of the South Manchuria Railway as the exclusive property of Japan and, therefore, outside the scope of the Consortium.

Early in 1919, Washington and Tokyo also agreed to place the Chinese Eastern Railway under the control of the Allies,

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[1]Tcheng, Kui-I, La C^ie du Chemin de Fer sud-mandchourien et L'Empire japonais en Manchourie (The South Manchuria Railway Co. and the Japanese Empire in Manchuria) (Paris: Editions Pierre Bossuet, 1939), p. 267. It was significant that the agreement establishing the Consortium was signed in New York City.

[2]Mingchien Joshua Bau, The Open Door Doctrine in Relation to China (New York: Macmillan Company, 1923), p. 127. The British supported the United States in spite of their alliance with Japan and Soviet support for the radical forces in the Mongolian civil war.

and again the interests of the United States prevailed over those of Japan. Although all the Allied powers, including the anti-Bolshevik Russians, were represented on the Inter-Allied committee, the chief administrator of the railway was an American.[1] Furthermore, American manufacturers supplied the locomotives and the rolling stock which were needed to restore the railroad to working order. Stevens brought with him to the Far East hundreds of American engineers who were naturally inclined to use American equipment and introduce the use of American standards in managing the Chinese Eastern Railway. The Trans-Siberian Railway was also placed under the administration of the Allies, each of whom assumed the control of a section of the railroad. Under these circumstances, conflicts were inevitable, and in October, 1919, the American State Department sent a note to Tokyo protesting its failure to cooperate with the United States in the administration of the Siberian railroad.[2] Thereupon, the Japanese commander in Siberia immediately instructed his troops to cooperate with the American authorities in the operation of the Trans-Siberian Railway.

Having failed to dislodge the United States, Japan tried to obtain control of that section of the Chinese Eastern Railway which had been allotted to China. In July, 1919, the Japanese

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[1]An anti-Bolshevik Russian was designated as the general chairman of the Trans-Siberian Railway, and a Japanese was chosen as the head of the Transportation Committee of the Railway. Actual power, however, lay in the hands of an American--John Stevens who was the head of the Technical Committee.

[2]New York Times, October 10, 1919, p. 8.

military authorities demanded that China place her troops who were guarding the Chinese Eastern Railway under their authority; the Chinese Government protested this and the matter was submitted to negotiation at Peking.[1] Only four months after this incident, the Japanese supported an unsuccessful attempt of the Cossack leader, Gregory Semenov, to seize that section of the vital railroad which had been assigned to China.

Early in 1920, Tokyo again saw an opportunity to obtain control of the Chinese Eastern Railway in the collapse of Kolchak's government and with withdrawal of the Czech forces from Siberia.[2] In January, 1920, Admiral Kolchak left Omsk in an armored train containing most of the gold reserves of the Russian Empire, but the Czech contingents delivered both Kolchak and the gold over to the Bolsheviks at Irkutsk in February 7, 1920, and with him perished the last hope for a moderate government in Siberia. After his death, Kolchak's demoralized followers straggled across Siberia in a desperate effort to reach Manchuria. As a result of the collapse of both Kolchak's army and the Czech forces in Siberia, the American Secretary of State

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[1]U.S., State Department, Records Relating to the Internal Affairs of China, 1910-1929, NA, State Department Files, 893.912/0031.

[2]The head of the Allied Technical Board, John Stevens, complained to the American State Department that Semenov's troops were terrorizing the Russian workers and their families who were working for the Chinese Eastern Railway. This, he said, was an obstacle in the delivery of military supplies to Kolchak's forces. Stevens' appeal to the Japanese commander to put a stop to Semenov's activities was met with the reply that it was solely a matter between the Russians and that Japan could not interfere. FRUS: 1923, I, 767.

announced on January 16, 1920, that the United States would withdraw her troops from Siberia.[1] Within a week after this announcement, Semenov declared that he would assume full civil and military authority over Eastern Siberia on the basis of an order allegedly given to him before Kolchak's execution.

Despite Semenov's attempt to save the position of the counter-revolutionaries in Eastern Siberia, they suffered defeat elsewhere in Russia. On the same day that the United States began to withdraw her troops from Siberia, Denikin took refuge on a British ship at Istanbul, and four months later his remaining forces surrendered to the Bolsheviks. The Red Army advanced on every front during the spring of 1920, as Semenov increasingly turned to Japan for support after the American forces withdrew from Vladivostok. In April, 1920, Japanese troops occupied Vladivostok, and in the following month, Semenov assumed control of the city; on May 1, 1920, the Semenov regime and Japan reached an agreement concerning the specific areas of Siberia which were to be occupied by Japanese forces.[2] American mistrust of Semenov was heightened when he dissolved the governing body of Vladivostok, and annulled all its previous fishing, mining, and forest concessions.[3]

While the Red Army continued to advance against the

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[1]On February 27, 1920, the first contingent of American troops left Vladivostok.

[2]New York Times, May 4, 1920, p. 10. These areas included the Trans-Baikal.

[3]FRUS: 1920, III, 538.

Russian counter-revolutionary forces, the Bolsheviks were hard-pressed by the Polish invasion of 1920. The Polish Army entered Kiev in May, 1920 and appeared to be on the verge of seizing the entire Ukraine when the Red Army counter-attacked and pushed the Poles back to the suburbs of Warsaw itself. Great Britain and France warned the Soviets that if they advanced any further into Poland, they would directly intervene in the Russo-Polish war. With the aid of French military advisors, the government at Warsaw repelled the Russians and established its authority over areas inhabited largely by Byelorussians and Ukrainians.[1] Threatened by invasion on her European border, Soviet Russia tried to reach an amicable political and commercial settlement with China and Japan.

The Soviet Government was particularly interested in the suppression of the bases in Manchuria which were used by the counter-revolutionary Russians, and the reestablishment of Russia's rights over the Chinese Eastern Railway. Claiming that the White Russian forces were supported by the imperialistic Allied powers, which included the American backed government at Peking, the Soviets appealed directly to the Chinese people in 1919 to drive the White Russians from China.[2] Although the Bolsheviks considered the United States to be the principal

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[1] Washington did not approve of a greater Poland which would include Russian ethnic territory.

[2] DVP, II, 221. The Bolsheviks accused the White Russians of being the class enemies of the Chinese people as well as having violated the national sovereignty of China.

imperialistic power, Washington supported the efforts of Soviet Russia in 1920 to establish her control over the Russian rail system in Manchuria and to suppress the Russian counter-revolutionary groups. The United States, of course, adopted such a policy because her own interests in the Far East dictated this. By 1920, it was clear that Japan intended to use the White Russians in Eastern Siberia to extend her own influence there, and that the government at Peking was too weak to assert its authority over the entire length of the Chinese Eastern Railway.[1] If the Chinese had attempted to take the railroad by force, it would have certainly led to a clash with Japan who would then have had a justifiable pretext for seizing the rail line. With this in mind, the American State Department informed the British Government in 1920 that it would look with disfavor on any attempt of Semenov to establish his authority over the concession zone of the Chinese Eastern Railway.[2]

In an effort to get Japan's forces out of Siberia, Chicherin told the Japanese Foreign Minister in February, 1920 that the Soviet Government would grant important economic concessions to Japan on favorable terms. In return, Chicherin asked for a non-aggression pact with Japan and the removal of all of her troops from Siberia.[3] However, since the Japanese were

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[1] FRUS: 1920, I, 679.

[2] Ibid., II, 539. Great Britain was the principal ally of Japan, and the British aristocracy was generally sympathetic to the Russian counter-revolutionaries. The British were torn between these ties and their bonds with the United States.

[3] DVP, II, 388.

militarily and economically stronger than Soviet Russia and the Far Eastern Republic, they were in a position to demand the most advantageous terms for the withdrawal of their troops from Siberia.

In February, 1920, Chicherin also sent a note to Washington in which he stated that the Red Army was winning in Siberia; therefore, he said, the United States should take a realistic view of the situation there and establish normal political and economic relations with the Soviet Republic.[1] Although the Harding Administration rejected the Soviet note, Washington urged Japan to withdraw her troops from Russia, which contributed to the preservation of Russia's Far Eastern domain. The motives of the United States in pursuing this policy were twofold: American business interests were eager to develop and exploit the rich natural resources of Siberia, and the American Government feared that the Japanese annexation or even prolonged occupation of a large part of the former Russian Empire in Asia would upset the balance of power in the Far East. Secretary of State Colby made this clear to Tokyo when he informed the Japanese Ambassador to Washington in July, 1920 that while he was pleased with the Japanese withdrawal from the Trans-Baikal region, the Harding Administration objected to the continued Japanese occupation of Russian Sakhalin.[2] Washington's policy, no doubt, was a relief to Soviet Russia who felt

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[1] Ibid., p. 387.

[2] FRUS: 1920, III, 517.

that she was besieged by her enemies on both her European and Asian borders.

By the beginning of 1920, the Bolsheviks had won control of Western and Central Siberia, but seven years of foreign war and civil conflict had left Russia exhausted and devastated. The results of a census conducted by the Soviets revealed that between 1917 and 1920 Petrograd had lost two-thirds of her population while Moscow had lost one-half of her population.[1] Famine stalked the Russian countryside, and the Soviet Government appealed to the Western Powers and Japan to save Russia from starvation. In their weakened condition, Soviet Russia and her sister state in Siberia, the Far Eastern Republic, feared that Japan would establish a Russian satellite state there or even permanently annex several Russian provinces. The fears of the Kremlin were realized when fighting broke out at Vladivostok between the White Russians and the troops of the Far Eastern Republic during the first week of April, 1921; at the end of April, the Japanese garrison at Vladivostok was reinforced by fresh troops from Japan.[2]

The victorious counter-revolutionaries proclaimed the Provisional Government of the Priamur in May, 1921, and General Kappel was designated as the head of the new government. Shortly thereafter, the most notorious White Russian leader, Gregory Semenov, and several hundred of his followers arrived at

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[1] New York Times, January 9, 1921, sec. 2, p. 6.

[2] DVP, IV, 78-79.

Vladivostok.[1] Although the Japanese authorities at Port Arthur declared that they were unable to prevent Semenov from leaving that city, he had arrived in Vladivostok on a Japanese ship that carried a large number of weapons for the counter-revolutionary forces in Eastern Siberia.[2]

A counter-revolutionary state in the Maritime Province would provide Japanese business interests with a legal basis for the exploitation of Siberia's natural wealth and give Tokyo an effective political weapon against the Russian governments at Moscow and Chita. Moreover, such a state would keep the tsarist cause alive, even if it was under the tutelage of the Japanese. Only one power could dislodge Japan from Siberia--the United States--and with this in mind, the Far Eastern Republic notified the American State Department in March, 1921 that she would welcome American investments in the development of Siberia's natural wealth. Furthermore, the government at Chita hinted that it would consider an anti-Japanese understanding with the United States and this, the Far Eastern Republic said, would enable the two governments to cope "with any possible conflicts which may take place in the Far East."[3] The interest of the American State Department was immediately

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[1]Semenov had fled from Chita in 1920 after the establishment of the Far Eastern Republic.

[2]At the same time that Semenov arrived at Vladivostok, the Soviets alleged that Japan was supplying the counter-revolutionary troops of Baron Ungern-Sternberg with ammunition and weapons. Pravda, June 25, 1921, p. 2.

[3]FRUS: 1921, II, 732-34.

aroused by this suggestion of the Far Eastern Republic, and a member of the American diplomatic corps in Japan was dispatched to Chita. The State Department was interested not only in establishing commercial relations with the Far Eastern Republic, but also in ascertaining the degree to which the government at Chita was dominated by Soviet Russia.[1]

In September, 1921, Secretary of State Hughes informed the government at Chita that the Harding Administration would continue to adhere to the Wilsonian policy of opposing the division of Russia into a number of states and, therefore, would not recognize the government at Chita.[2] Moreover, Hughes continued, the United States hoped that in the course of time, the Russian people would be united under one government as they had been in the period prior to 1914.[3] Although the Harding Administration refused to establish diplomatic relations with the Far Eastern Republic, the American State Department took such diplomatic action in 1921 in order to maintain Russia's rights on the Chinese Eastern Railway and to eliminate the presence of the counter-revolutionaries in Eastern Siberia.

The Soviets were deeply concerned with the activities

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[1]A few days after the F.E.R. merged with the R.S.F.S.R., Stalin admitted that the F.E.R. was only a temporary expedient to meet the threat of Japanese expansion in Siberia. Stalin, Works, V, 144.

[2]Since the F.E.R. was allied with Soviet Russia, American recognition of the government at Chita, in Hughes' opinion, would undercut the policy of nonrecognition of the Bolshevik regime at Moscow.

[3]New York Times, September 20, 1921, p. 19.

of the counter-revolutionaries both within Russia and in other countries; this was reflected in the voluminous size and number of diplomatic notes which the Kremlin sent to Tokyo and Peking throughout the years 1918-1933.[1] During the winter and spring of 1921, the governments at Chita and Moscow urged China to take effective measures to suppress the forces of Baron Ungern-Sternberg who had taken refuge in Outer Mongolia.[2] In mid-1921, the Soviet Government informed China that the Red Army itself would enter Mongolia on the excuse that Peking had failed to prevent Ungern-Sternberg from using Mongolia as a base to attack Soviet Russia. This announcement was followed by a statement from the Kremlin in August, 1921 that contingents of the Red Army would remain in Mongolia until the White Russian forces there had been completely eradicated.

In taking this action in Outer Mongolia, the Kremlin was, no doubt, as much motivated by its desire to bring that area into the Soviet sphere of influence as it was by a desire to suppress the counter-revolutionaries there.[3] Shortly after the Red Army had crossed into Mongolia, a civil war broke out

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[1]As late as the fall of 1931, the Kremlin was concerned over the activities of Semenov. In a conversation with the Japanese Ambassador to Russia, Litvinov alleged in October, 1931 that Semenov had entered Mukden after the Japanese Army took that city. DVP, XIV, 559.

[2]In January, 1921, the Kremlin had expressed its satisfaction with the measures taken by Peking to suppress Ungern-Sternberg's forces.

[3]Mongolia had been in the sphere of influence of the Russian Imperial Government.

between the conservatives and radicals. The pro-Soviet radical forces were aided by the governments at Chita and Moscow, and in 1924, they proclaimed the Mongolian People's Republic. This was the first Soviet satelite state. Although this development displeased Washington, there was little that the United States could have done to prevent a Communist victory in Mongolia.[1] While Mongolia possessed few resources that might attract American businessmen, she was important as a buffer area between Russia and China; furthermore, the power that held Mongolia would be in a position to invade Northern China and Southern Siberia where most of the Russian population in Asia was concentrated. The Trans-Siberian Railway, the only connection between European Russia and the Maritime Province, ran close to the Sino-Russian border, and it would be easy to cut the rail line from a base in Mongolia. Japan would have been quite willing to intervene in Mongolia, but Washington opposed this because it would pave the way for the extension of Tokyo's influence into Central Asia. Once more, the United States favored Soviet Russia over imperialist Japan, and Washington permitted the establishment of a radical government at Urga.

After seven years of foreign and civil war, the Chinese Eastern Railway had fallen into disrepair, and a large amount of capital would be required to restore it to good working

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[1]The Soviets claimed that the American Consul at Urga had attempted, through diplomatic means, to intervene in the Mongolian civil war in order to prevent a victory of the pro-Soviet Forces. DVP, IV, 370.

order.[1] Having failed to win control of the railroad by force, Japan tried to gain financial control of the Chinese Eastern Railway, but again she was frustrated by the United States. During the summer of 1921, the Japanese-owned South Manchuria Railway opened negotiations with the counter-revolutionary government at Vladivostok for the purchase or lease of the Ussuri Railway, and this deeply disturbed the Harding Administration.[2] In mid-1921, the American State Department was also alarmed by a report that Japan intended to float a large loan to the Chinese Eastern Railway; since the railway was already deeply in debt to the South Manchuria Railway, any additional Japanese loans would definitely establish Tokyo's financial control over the Russian rail line.[3] In order to prevent this from occurring, the United States proposed that an international committee be established which would have financial as well as technical control over the Chinese Eastern Railway.[4] However, Japan rejected the American proposal and suggested instead that

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[1]The John P. Morgan Company informed the State Department in August, 1921 that it was interested in floating a loan to the Chinese Eastern Railway.

[2]The Ussuri Railway connected the Chinese Eastern and Trans-Siberian Railways.

[3]FRUS: 1921, I, 590-91. The Japanese Foreign Minister denied this report but was of the opinion that the Russian manager of the Chinese Eastern Railway had approached the several Japanese banks for a loan.

[4]Washington suggested that railway experts from the United States, Great Britain, France, and Japan as well as an anti-Bolshevik Russian form an international technical board to govern the Chinese Eastern Railway.

each of the Allied powers have the right to make loans to the Chinese Eastern and Ussuri Railways, but the Japanese counter-plan was likewise unacceptable to Washington.

In the latter part of 1921, the Harding Administration turned to the Far Eastern Republic as a counterweight to Japanese ambitions in Siberia. When Washington was informed that Semenov intended to move his forces further west, the State Department successfully persuaded the Manchurian Government of Chang Tso-lin in the summer of 1921 not to permit the Cossack leader to move his troops through Manchuria.[1] At the same time, the State Department sent a strongly worded note to Japan warning her against supporting and encouraging the aims of General Semenov.[2] Although the United States refused to extend diplomatic recognition to the Far Eastern Republic, the State Department did send an informal observer there shortly before the Washington Conference began, and through its representative at Chita, the American State Department assured the Far Eastern Republic that the Chinese Eastern Railway eventually would be returned to its legal owners--China and Russia.[3]

The presence of an American diplomat at Chita was also meant to warn Japan against any attempt to seize the territory

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[1] Semenov was obviously preparing to attack the territory governed by the Far Eastern Republic.

[2] FRUS: 1921, II, 705.

[3] Ibid., I, 611. The American representative, John Caldwell, was ostensibly sent to Chita to strengthen the resistance of the F.E.R. to the demands of Japan at the Dairen Conference.

of the Far Eastern Republic. In the spring of 1921, the United States sent a sharp note to Tokyo admonishing Japan for having established a Japanese-sponsored government over several provinces of the Russian Far East. At the same time, the note continued, the Japanese Army continued its operations in Siberia, with the intention of bringing even more territory under its authority. Washington expressed its concern that the Japanese military occupation of Northern Sakhalin would become permanent, and the American State Department warned Japan that the United States would regard the Japanese annexation of the Russian half of the island as an "encroachment upon Russian political and administrative rights."[1]

In its reply to Washington, the Japanese Government justified its occupation of Russian territory on the ground that it had to protect Japanese nationals and their property in Siberia against attacks by both the Bolsheviks and the Korean insurgents who used the Maritime Province as their base.[2] But in August, 1921, Tokyo informed the American State Department that it would recognize the government at Chita as the de facto authority in the Russian Far East, and that the Japanese Government would hold discussions with the Far Eastern Republic in order to settle all major areas of conflict between the two governments.[3] Furthermore, Tokyo assured the United States that if adequate guarantees were given by the government at Chita for the protection

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[1] Ibid., II, 703. Nevertheless, the State Department refused to give diplomatic support to the Sinclair oil concession on Northern Sakhalin.

[2] Ibid., pp. 707-10.

[3] Ibid., pp. 713ff.

of Japan's interests in Siberia, her troops would then be withdrawn from the Maritime Province.[1]

The differences between the Russians and Japanese largely centered around Tokyo's demand for extensive economic concessions in Siberia which, Moscow and Chita feared, might lead to the permanent occupation of the concession areas by Japan; also, the Russians wanted Japan to withdraw her troops before they would discuss any concessions that they might grant to Japanese businessmen. Tokyo, on the other hand, wanted ironclad guarantees of large-scale concessions and a promise from the F.E.R. that it would destroy all coastal military installations in the Maritime Province. If this were done, Japan said, she would then withdraw her army from Siberia.

Japan, the Soviets felt, wanted to establish better relations with the F.E.R. and Soviet Russia before the beginning of the Washington Conference.[2] Karl Radek, the Soviet writer and theoritician, regarded the Conference as "an attempt by the United States to tear from Japan, by diplomatic means, the fruits of her victory in World War I."[3] The Washington Conference, it seemed to Radek, was a fulfillment of Lenin's oft-repeated prediction that the capitalist nations, and particularly the United States and Japan, would fight among themselves for control of the markets and resources of the Far East. But by

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[1] Pravda, October 22, 1921, p. 1.

[2] Ibid., August 23, 1921, p. 2.

[3] Ibid., September 1, 1921, p. 1.

October, 1921, much of Radek's optimism regarding the Conference had vanished, and he feared that the United States, with British encouragement, would give Japan a free hand in Eastern Siberia in return for a Japanese promise to respect the Open Door in China.[1] Soviet Russia's fear of an agreement between Washington and Tokyo were heightened by her exclusion from the Conference, and for that reason, the Kremlin notified the Allied governments that it would not abide by any decision made at Washington.[2]

On November 12, 1921, the Washington Naval Conference opened and for the next three months the United States, Great Britain, Japan and France struggled for power and influence in the Eastern Pacific area. Like Soviet Russia, China was concerned with the presence of Japanese forces on her soil and Japanese designs on the Chinese Eastern Railway. In the latter part of December, 1921, the Chinese delegates to the Conference demanded that all foreign countries remove their troops from China, but this motion was rejected by the Japanese delegation who emphasized Japan's special interests in Manchuria.[3] Great Britain and France sympathized with Japan's aims in China and Siberia, and Peking's diplomatic estrangement from Western Europe brought about a temporary reconciliation between Soviet Russia and China. Early in December, 1921, the Chinese delegation had declared that it would discuss the question of the

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[1] Ibid., October 27, 1921, p. 1.

[2] DVP, IV, 224.

[3] Pravda, December 26, 1921, p. 1.

Chinese Eastern Railway at the Conference only if Soviet Russia would be permitted to attend.[1] The governments at Chita and Moscow reciprocated with a reaffirmation of the Bolshevik offer to return the railway to China if the Russian rights to the railway would be respected by Peking.[2] However, since both China and Russia were weak powers in the early 1920's, a Sino-Soviet understanding directed against Japan would have had little meaning without American support.

In 1921, Chicherin described Great Britain as Soviet Russia's most serious enemy in the Far East, principally because the Kremlin believed that the British stood behind Japan's aggressive policy on the Asian mainland.[3] The United States relieved the pressure on the Russian Far East when the Harding Administration persuaded Great Britain not to renew her treaty of 1902 with Japan. At the Washington Conference, the British attempted to circumvent a choice between their alliance with Japan and their strong tie with the United States, and the British delegation introduced an unsuccessful motion that the question of the status of Siberia be excluded from the agenda of the Conference.[4] On the same day that the Conference refused to

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[1] Ibid., December 4, 1921, p. 1.

[2] FRUS: 1920, I, 877.

[3] This theme was repeated by the Soviet press and Government throughout the 1920's and early 1930's.

[4] After the defeat of this motion, the British delegation explained that Great Britain would take no definite position on the Siberian question, but that she would support the interests of her friends in Siberia--Japan, the United States, and the

accept the British proposal, the American State Department received a report from Vladivostok stating that the British and Japanese were seeking to eliminate the influence of the United States in the Russian Far East and to establish a constitutional monarchy in Siberia.[1]

In actuality, Great Britain had been so weakened by World War I that she could not seriously challenge the United States during the 1920's, and five months before the Washington Naval Conference had begun, Secretary of State Hughes warned the British Government against its continued support of Japan.[2] In 1923, the Anglo-Japanese Treaty of 1902 expired and, largely because of American pressure on London, it was not renewed.

The Kremlin was encouraged too by the attitude of the United States at the Washington Conference towards the Japanese occupation of Northern Sakhalin and the Maritime Province. Japan found it increasingly difficult to maintain her authority in the interior of Siberia, but she was determined to retain control over those areas of the Russian Far East which bordered the Sea of Japan. Tokyo found a legal and humanitarian excuse for its continued presence in Siberia in an incident which oc-

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Russian people themselves. Unfortunately for London, these parties had conflicting interests in Siberia.

[1]Memorandum by J. A. Cook to S. K. Hornbeck, December 16, 1921, Hoover Papers, AG 3: Box 259.

[2]FRUS: 1921, II, 314-15. Hughes hinted to the British Ambassador to the United States that the Harding Administration would reassess its attitude towards the Irish problem if London did not reconsider its continued support of Tokyo's foreign policy.

cured during the Russian civil war. In the spring of 1920, a group of armed Russians killed 700 Japanese civilians at Nikolayevsk-na-Amure. The Japanese Government claimed that the Bolsheviks were responsible for this act while the Far Eastern Republic maintained that it had been committed by a group of brigands. In December, 1921, the Japanese Vice Minister of Foreign Affairs announced that his government would retain control over Northern Sakhalin until Tokyo could negotiate the massacre at Nikolayevsk with a Russian government that was recognized by the Great Powers. Furthermore, the Japanese Minister stated that Japan would withdraw her troops from the Maritime Province when she was assured of adequate guarantees for the safety of her nationals and their property in Siberia, but, he added, Tokyo would insist on its control of Nikolayevsk and a small area surrounding the city.[1] Two days after this statement, the Japanese War Department announced that it would not reduce the size of the Japanese garrison in Vladivostok.

Although the Harding Administration rejected a request of the government at Chita that it be allowed to send a delegation to the Washington Conference, the State Department did permit a trade delegation from the F.E.R. to enter the United States during the fall of 1921. On December 7, 1921, officials of the State Department and the trade delegation from Chita had a cordial discussion concerning the developments in the Far East.

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[1] New York Times, December 9, 1921, p. 3; December 15, 1921, p. 4. This would give Japan control of the mouth of the Amur River.

The Russians stated that they wanted to open formal discussions with the Harding Administration concerning American recognition of the Far Eastern Republic and the withdrawal of Japanese troops from Siberia, as well as the establishment of commercial relations with the United States; in response to this, the State Department officials asked why the government at Chita did not protest the presence of Soviet troops in Mongolia while it tried to expel the Japanese forces from Siberia.[1] Although the State Department would give no assurance that it favored American recognition of the F.E.R., it did assure the Russian delegation that the Allied supervision of the Chinese Eastern Railway was only a temporary measure, and that eventually the railway would be returned to the Russian people.[2]

In mid-December of 1921, the Japanese delegation to the Washington Conference explained that Northern Sakhalin was the only Russian territory in which Japan was interested, and that she had occupied this territory solely because she sought compensation from Russia for the incident at Nikolayevsk. The Japanese delegation announced too that Japan was willing to give up all of her advantages in Siberia, but the delegation emphasized again that the Japanese Government would not withdraw its troops from the Maritime Province as long as the safety of its nationals was in jeopardy there.[3] However, this ex-

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[1]The State Department thereby pointed out the close tie between Moscow and Chita.

[2]FRUS: 1921, II, 750.

[3]Ibid., p. 716.

planation did not satisfy the United States who continued to exert pressure on Tokyo to withdraw its troops from Siberia.

In the latter part of 1921, a memorandum on Japan's activities in Siberia was submitted to the Committee on Far Eastern and Pacific Problems of the Washington Conference. The memorandum, which was based on information provided by anti-Bolshevik Russians, stated that Russian law was disregarded in Northern Sakhalin and that the Russians living there were legally classified as foreigners.[1] Confronted with such strong American opposition to her occupation of Siberia, Japan stiffened her pressure on the Far Eastern Republic at the Dairen Conference, and threatened to keep her troops in Siberia over an indefinite period of time unless Chita would accede to her demands, but these would give Tokyo effective economic and military control of the Maritime Province.[2] In an effort to moderate Japan's demands, the Far Eastern Republic offered to sign a treaty with the Japanese granting them important commercial rights in Siberia as well as large economic concessions on the condition that they withdraw their troops from Russian territory. Japan would not agree to such terms, and after seven months of negotiations, the Japanese broke off the discussions at Dairen.

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[1]The Soviet attributed the publication and dissemination of the memorandum to Secretary of State Hughes whom they had regarded as their foremost enemy in the Harding Administration. Pravda, December 27, 1921, p. 4.

[2]The Dairen Conference was held between August 26, 1921 and April 16, 1922, and here the Japanese and Russians unsuccessfully attempted to negotiate their differences.

In the same month that the Dairen Conference collapsed, military forces of the F.E.R. and Japan fought a major battle about 100 miles from Vladivostok, however, the Far Eastern Republic could not possibly hope to dislodge Japan from her position in Siberia through military means.

Tokyo might have succeeded in its attempt to bring the Russian Far East under its control, but for the continued American pressure on the Japanese Government to withdraw its forces from Eastern Siberia.[1] As a warning to the White Russian leaders and their Japanese supporters, the American Government arrested Gregory Semenov and his wife in Washington, D.C. on April 7, 1922.[2] Senator William Borah then introduced a resolution into Congress calling for an investigation into his past activities and his deportation from the United States.[3] This move was supported by General William Graves, the former commander of the American force in Siberia, who described Semenov as a brigand; this was followed by more serious allegations that he had conducted mass murder in Siberia and had stolen more than one million rubles from the Russian State Bank in Chita.[4] After an investigation

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[1]On April 4, 1922, the American Government declared that it was counting on Japan to fulfill her pledge to withdraw her troops from Siberia.

[2]While he was held in a New York City jail, Semenov was attacked and insulted in Yiddish and Russian.

[3]However, the Harding Administration denied that Semenov's arrest had any political implications, and would not permit him to be tried on the charge of the murder of American troops in Siberia.

[4]Semenov had originally been arrested on a charge that

by the Senate Education and Labor Committee, Semenov was expelled from the United States, which constituted a clear warning to Tokyo to cease its support of the Russian counter-revolutionaries.[1]

In a move which caught the White Russians by surprise, Tokyo announced on June 24, 1922 that it would withdraw all Japanese troops from Siberia by October of that year.[2] But the Japanese Government added that it would continue to occupy Northern Sakhalin until the Nikolayevsk incident had been settled to its satisfaction. However, Japan did carry out her promise that she would withdraw her troops from the Siberian mainland; even while Japanese troops were leaving Vladivostok, troops of the Far Eastern Republic were entering the city, and 15,000 counter-revolutionary Russians were seeking asylum elsewhere.

American naval intelligence had urged the Harding Administration to intervene again in Siberia, and on October 20, 1922 American and British marines landed at Vladivostok.[3] Moscow and Chita had feared that Japan would not carry out her pledge

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he had plundered the Siberian property of the Youroveta Home and Foreign Trading Company, a New York corporation, which forced the company into bankruptcy.

[1]The Senate committee hearing was led by Senator Borah, an ardent proponent of American recognition of the Soviet Government.

[2]*Pravda*, July 6, 1922, p. 2. No doubt, Moscow and Chita were also surprised by the Japanese announcement.

[3]Letter and enclosure from Hoover to Hughes, August 24, 1922, Hoover Papers, AG 3: Box 259.

to evacuate Vladivostok, and for that reason, the two governments stated that they welcomed the second American intervention in Siberia. The Soviet Foreign Minister, George Chicherin, explained that in view of the imminent victory of the People's Revolutionary Army, the United States had only acted to ensure the safety of American nationals and property at Vladivostok.[1]

The United States not only played an important role in the eviction of Soviet Russia's enemies from Siberia, but also paved the way for the reestablishment of Russia's authority over the Chinese Eastern Railway. The United States did not want this strategic railway to fall under the control of Japan, but at the same time, the government at Washington was unwilling to overextend itself on the Asian mainland to prevent this from taking place.[2] Secretary of State Hughes raised these points in a note to the American Minister to China, Jacob Schurman.[3] In his answer to Hughes, Schurman urged that the Chinese Eastern Railway be placed under the authroity of China in conjunction with an Allied board of observers.[4] However, China did not possess the capital reserves to restore the railway to good working order nor the political unity to maintain effective

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[1] DVP, V, 624-27, 630.

[2] All the Allied troops were withdrawn from the Chinese Eastern Railway zone in the latter part of 1922.

[3] FRUS: 1922, I, 899, 902.

[4] In the fall of 1923, Schurman criticized the Soviet Government before a group of White Russians in Harbin, Manchuria, and he warmly supported the cause of the Russian émigrés. New York Times, November 6, 1923, p. 13.

control of the area traversed by the rail line. The temporary American manager of the Chinese Eastern Railway, John Stevens, informed the State Department that the government at Peking was unable to prevent the Manchurian war lords and small groups of bandits from attacking the railway.[1]

Of greater significance for the United States, the State Department learned in March, 1921 that the Chinese directors of the Chinese Eastern Railway had been attempting to arrange a loan through several Chinese banks in order to repay their White Russian creditors. It was further reported that if this turned out to be unsuccessful, the Chinese intended to turn to banks in Japan for a loan.[2] This and other developments clearly indicated that if the railway were placed under the sole authority of China, it would soon fall into Japanese hands.

At a conference held in June, 1922, the Japanese-owned South Manchuria Railway obtained a written agreement from the Chinese Eastern Railway that practically ruined Vladivostok as the major port for Northern Manchuria.[3] This agreement established new railway freight rates in Manchuria, and after the new schedule was put into effect on July 1, 1922, fully two-

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[1] FRUS: 1923, I, 771.

[2] Ibid., 1921, I, 572.

[3] Ibid., 1923, I, 771. Stevens informed Secretary of State Hughes that the new schedule had enabled the Japanese to obtain control of the Chinese Eastern Railway. The Allied Technical Board, he said, had not been informed until June 27, 1922 of the new schedule, and its protest to the Chinese directors of the railway over the Sino-Japanese agreements was of no avail.

thirds of the products destined for export in the Chinese Eastern Railway zone were transported on the South Manchuria Railway to the port of Dairen.[1] In 1923, the South Manchuria Railway explored the possibility of acquiring shares in the Chinese Eastern Railway or of buying the south line of the railway which ran from Harbin to Ch'angch'un.[2] Moreover, Japan's military presence always raised the possibility that she might attempt to seize the railway by force.[3]

The United States turned to Soviet Russia as the only power which could prevent Japan from seizing the Chinese Eastern Railway and maintain order along the rail line. In January, 1922, the representative of the Far Eastern Republic in Washington and the Allied director of the Chinese Eastern Railway, John Stevens, agreed to hold discussions on the problems and future of the railway. The government at Chita was pleased that Stevens felt that the basic purpose of the Allied committee was to prevent the Chinese Eastern Railway from falling under the control of Japan. Eventually, he said, the railway should be placed under the authority of a recognized all-Russian government, but in the interim, Stevens said, the United States should continue to administer the railway in conjunction with China.

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[1] Ibid., p. 772.

[2] Ibid., 1922, I, 903; Pravda, November 22, 1923, p. 2.

[3] The Japanese Foreign Office announced in 1922 that the withdrawal of all foreign troops from the Chinese Eastern Railway zone had terminated the agreement of 1919, but Tokyo asserted that Japan and all other concerned powers should have the right to intervene in the railway's affairs if their interests were threatened. FRUS: 1922, I, 909-10.

Soviet Russia, and the Far Eastern Republic.[1] But, the Foreign Minister of the government at Chita rejected the latter suggestion on the ground that this would involve the participation of too many Japanese troops in an inter-Allied guard, and he proposed instead that only Soviet Russia and China should control and administer the railway.[2] Having agreed in principle to this suggestion, Washington sought to prevent either Moscow or Peking from taking complete control of the railway and tried to establish a balance between the two governments in the administration of the vital rail line. In September, 1923, the American State Department discouraged an attempt of the Chinese ruler of Manchuria, General Change Tso-lin, to seize the land traversed by the Chinese Eastern Railway.[3] Washington also objected to the Kremlin's attempt to impose its will on China and take complete control of the railway without any guarantee for American interests.

In the early part of May, 1924, the American Minister to China handed a note to the Chinese Minister of Foreign Affairs which stated that the United States would not approve of any change in the status of the Chinese Eastern Railway unless all its creditors were consulted and their rights ensured.[4]

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[1] DVP, V, 49.

[2] Ibid., p. 879.

[3] Ibid., 1923, I, 782.

[4] DVP, VII, 705. In March, 1923, the Soviet Government reached an agreement at Paris with Baron Putiloff, the former president of the Russo-Asiatic Bank, who represented the private Russian interests in the Chinese Eastern Railway controversy. Putiloff agreed to return to Moscow as an advisor to the Soviet

On May 14, 1924, representatives of the Chinese and Soviet governments reached a tentative agreement concerning the status of the railway, and on the following day, the United States protested that this agreement ignored American financial claims against the railway which amounted to a sum of between six and eight million dollars.[1]

In spite of these protests from Washington, the government at Peking proceeded to sign a treaty with Moscow at the end of May, 1924, on the basis of this provisional agreement; however, the government of Manchuria, which was encouraged by further American protests, refused to ratify the railway treaty.[2] Consequently, the Kremlin was forced to negotiate another treaty with China which resembled the previous one in every respect but for one clause which stipulated that the Chinese Government would have the right to buy the railway at some future date.[3] Since American economic interests were influential in Northern China, the new treaty left the way open for the reestablishment of American authority over the railway--if conditions again made this necessary.

In contrast to her attitude towards the Japanese occupa-

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committee which administered the railway. New York Times, March 10, 1923, p. 2.

[1] DVP, VII, 227.

[2] On July 12, 1924, the eight treaty powers protested the transfer of the Russian diplomatic property in Peking to the Soviets. The diplomatic corps in Peking took this action to protest China's disregard of foreign interests in her negotiations with Soviet Russia over the status of the Chinese Eastern Railway.

[3] DVP, VII, 460.

tion of the Siberian mainland, the United States expressed comparatively little concern over the Japanese occupation of Northern Sakhalin; the numerous attempts of the Sinclair Oil Company to win the State Department's support for its concession on Northern Sakhalin were met only with rebuffs.[1] Japan herself was in a better strategic position to retain Northern Sakhalin than the Russian provinces on the Asian mainland; moreover, the Harding and Coolidge administrations may have tacitly consented to the Japanese occupation of Northern Sakhalin as a weapon to be used against the Soviets if they proved to be intractable over other issues. In spite of threats and pleas from Moscow and Chita, Japan steadfastly refused to withdraw her troops from Russian Sakhalin unless she was given large concessions that would have given Japanese interests effective economic control of the area.

After more than four conferences over a period of more than three years, Soviet Russia agreed in January, 1925 to share Northern Sakhalin's natural resources, including petroleum, on an equal basis with Japan.[2] In return, Tokyo agreed to recognize the Soviet Government and to withdraw its troops from Northern Sakhalin by March 15, 1925.[3] Japan began the evacuation

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[1] FRUS: 1925, II, 697-701. No doubt this was partly due to the struggle between the Standard and Sinclair oil interests within the United States.

[2] Conferences were held at Dairen, Ch'angch'un, Tokyo and Peking between 1921 and 1925 in an effort to settle the differences between the Russians and the Japanese.

[3] Because of Japan's proximity to Northern Sakhalin and her superior economic strength, as compared to that of Soviet Russia, Japan would continue to dominate the Russian part of Sakhalin.

of her troops from Northern Sakhalin on February 27, 1925, and thereby the first phase in Soviet-American relations in the Far East came to an end. Altogether, Washington's policy had been very successful in the Russian Far East during the years 1919-1925: Japan was prevented from seizing control of the Russian rail network in Siberia and Northern Manchuria, and from annexing several Russian provinces in Siberia or even from bringing them into her sphere of influence. Due in large part to the United States, the Russian domain in the Far East had been preserved and Moscow was permitted to regain control of the Chinese Eastern Railway. Unlike Japan, who bluntly sought political and economic power in the Far East, American business interests were willing to invest in the economic development of Siberia without insisting upon immediate political control of this vast area.[1]

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[1] In November, 1924, the Department of Commerce published a pamphlet outlining the economic developments in Siberia under Soviet rule. The Department described Siberia as an area which offered many opportunities to American investors. J. Lowery, "The Economic Situation in Siberia," Department of Commerce Trade Information Bulletin, V (November, 1924), 1-20.

CHAPTER VII

THE STRUGGLE OVER MANCHURIA, 1925-1931: THE UNITED STATES SUPPORTS SOVIET RUSSIA AGAINST CHINA

The leaders of the Soviet Union hoped that the establishment of diplomatic relations between Tokyo and Moscow would not only reduce the danger of another Japanese invasion of the Russian Far East, but that it would increase the pressure on the Coolidge Administration to recognize the Soviet Union. In the same month that the Russo-Japanese treaty was signed, the Soviets stated that this agreement left America isolated among the Great Powers because all of them, with the exception of the United States, had recognized the Soviet Government.[1] In an attempt to persuade Washington to change its policy towards Soviet Russia, the Soviet Ambassador to China, Leo Karakhan, pointed out that as a result of the treaty, Japan would gain access to Siberia's great natural wealth, and he hinted that the Soviets would be willing to recognize Russia's tsarist debts.[2] Most important of all, he implied that Soviet Russia would ally herself with Japan if the United States persisted in her policy of Soviet nonrecognition.

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[1] Izvestia, January 25, 1925, p. 1.

[2] New York Times, February 28, 1925, p. 3.

Washington's attempt to isolate Japan both politically and economically had failed, Karakhan said, because the Russo-Japanese treaty of 1925 established friendly relations between the governments at Moscow and Tokyo. Moreover, under the terms of the treaty, Russia would provide Japan with the raw materials that otherwise might have come from Great Britain and the United States. America, he commented, could benefit as Japan had if Washington would agree to begin discussions with Moscow that would lead to the establishment of diplomatic relations with Soviet Russia. Karakhan felt there were far fewer difficulties that might arise in any talks between Moscow and Washington than those that arose during the discussions between Moscow and Tokyo.[1]

In a speech before the governing body of the Georgian S.S.R. in 1925, Chicherin also stated that American economic expansion in Asia and Washington's growing political influence there would improve the relations between the United States and Soviet Russia, which was an Asian as well as a European power.[2] The Kremlin's optimism was heightened by a communique from the representative in Washington, Boris Skvirsky, who predicted that President Coolidge would follow a less rigid policy towards

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[1] Ibid. However, Karakhan added that American-Soviet relations would be greatly improved if the United States would stop trying to meddle in Russia's internal affairs.

[2] Ibid., March 6, 1925, p. 3. Chicherin asked the United States to send a committee to Russia to begin discussions leading to American recognition of the Soviet Government. The Soviet Foreign Minister was probably inspired to do this by a report of the Russian Telegraph Agency (Rosta) that President Coolidge favored such a committee. Pravda, February 24, 1925, p. 1.

the question of Soviet recognition.[1] Skvirsky reported too that Secretary of State Kellogg avoided any discussion of his attitude concerning American recognition of the Soviet Union, but the Coolidge Administration soon made it clear that it had no intention of modifying the policy of Soviet nonrecognition.

The Soviets were disappointed too that the Russo-Japanese treaty did not lead to an improvement in their relations with Japan during 1925. In that year, the Soviets protested the repeated violation of their territorial waters by Japanese fishing and military vessels and Tokyo's retention of a radio outpost on Northern Sakhalin after the Japanese military occupation had ended. Soviet Russia was further offended when Tokyo raised objections to her participation in a conference held at Peking concerning the question of China's tariff schedule. The Kremlin, for its part, criticized Japan for having denied the right of the Chinese people to determine their own future, and the Soviets urged the Chinese masses to expel both the Western Powers and Japan from their country.

The Soviet Government, however, desperately tried to improve its relations with Tokyo, particularly since the Kremlin believed that a conflict between the United States and Japan was inevitable.[2] Fearful that Russia would become involved in

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[1] DVP, VIII, 179. The Soviet press reported that President Coolidge had met with Senator Borah, a leading advocate of Soviet recognition, in New York City on January 15, 1925. Izvestia, January 17, 1925, p. 1.

[2] DVP, VIII, 381. Chicherin believed that the ruling class in Japan and the military circles in the United States were planning for an American-Japanese war.

such a conflict, or that Japan would attack the Maritime Province, Chicherin sent an urgent communiqué to the Soviet Ambassador in Tokyo during June, 1925, asking the Ambassador, "What do they [the Japanese] want? Do they want territory for immigrants? Do they want concessions? Do they want to secure their rear for a future war with America?"[1] The Soviets, Chicherin continued, already had clashed with Japan over the Chinese Eastern Railway, and the issue of the rail line still threatened to upset Soviet-Japanese relations.

Chicherin urged the Ambassador to investigate the Japanese attitude towards Eastern Siberia and to determine if there were any issues that were a particular source of irritation to them. Since the Japanese had spoken of the establishment of close economic relations with Russia, the Soviet Foreign Minister suggested in his communiqué that Russia might sell them fish and lumber, and he instructed the Ambassador to ask Japanese business circles what they might export to Russia. In a further effort to improve their relations with Tokyo, the Kremlin even invited Japan to participate in a railway conference held in 1925 among Russia, Lithuania, and Latvia.

The fears of the Soviet Government concerning another Japanese invasion of Siberia were heightened by reports of White Russian activity in Japan.[2] The counter-revolutionary Russians

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[1] Ibid.

[2] The Kremlin urged both the governments at Tokyo and Peking to forcibly repatriate a White Russian fleet of ships and their crews who sailed from Vladivostok, after it surrendered to the Far Eastern Republic.

had large financial reserves in Japan, and in spite of Moscow's protest, Tokyo refused to place these tsarist funds under the authority of the Soviet Government.[1] In December, 1925, Stalin himself assured the Russian Communist Party that, despite the expectations of the Western Powers, the developments in China would not lead to a war between Russia and Japan. Tokyo fully understood, he said, that Soviet Russia sympathized with the Chinese revolutionaries in their struggle to liberate their people from the yoke of imperialism and to unite China in a single state.[2] In a warning to Chang Tso-lin not to ally himself with Tokyo and attempt to exclude Russia from Northern Manchuria, Stalin predicted that Chang's government would eventually collapse because he had based his foreign policy on the assumption that relations between Moscow and Tokyo would deteriorate.[3]

In mid-January of 1926, the Kremlin asked Tokyo to send representatives to a meeting at Khabarovsk which would undertake a study of the geology, geography, agronomy, and particularly the timber resources of Siberia. The Japanese Government responded affirmatively to this, and the meeting opened on February 12, 1926 with a Japanese delegation in attendance. Thus the new year began with this favorable development in

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[1]The Japanese Government suggested in 1929, that the Kremlin appeal directly to the Yokohama Specie Bank for the funds. DVP, XII, 549-52.

[2]Stalin, Works, VII, 301.

[3]Stalin was a better prophet than he probably realized in 1925.

Japanese-Soviet relations which continued to improve throughout 1926. Also in January, 1926, Moscow and Tokyo had signed an agreement concerning Japanese fishing rights in Russian waters, and in June, 1926, they agreed temporarily to the bilateral establishment of trade offices in their major cities.[1] Russo-Japanese relations continued to improve during the fall of 1927 and the winter of 1927-1928, and further agreements were signed between Soviet Russia and Japan. Nevertheless, the Kremlin was still apprehensive that Japan would attack Siberia, and continued to look to the United States as the major bulwark against Japanese expansion in the Far East.[2]

Although the Anglo-Japanese Treaty of 1902 had been allowed to expire in 1923, the Kremlin felt that the British Government still supported Japanese ambitions in Northeastern Asia, and this added to Moscow's concern over the role of the United States in Eastern Asia. In 1927, the Morgan financial interests conducted negotiations with the South Manchuria Railway for a loan of 40 million dollars, and the Soviets announced that this was only part of an American plan to penetrate China and to undermine the position of Soviet Russia in the Far East.[3] When the Chinese Government objected to the negotiations, the

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[1] In July, 1925, Chicherin informed the Soviet Ambassador to Japan that the Kremlin was hoping to sign a commercial agreement with Japan in the near future.

[2] Soviet propagandists, however, continued to describe the United States as "the most imperialist power in the world." Pravda, July 1, 1925, p. 1.

[3] Ibid., November 12, 1927, p. 1; November 19, 1927, p. 1.

American State Department blocked the prospective loan; while Tokyo placed the entire blame for the collapse of negotiations on the State Department, the Kremlin attributed their failure to China's objection to the participation of British financial interests.[1] In any case, this action of the American State Department served to strengthen Soviet Russia's position in Manchuria where she competed with Japan for markets and political power.

At the beginning of May, 1928, Japanese and Chinese troops clashed in Shantung province, and again the Kremlin alleged that the British stood behind Japan's attempt to expand her influence in China.[2] Fearful that this Japanese military action was merely the first step in an invasion of Manchuria or possibly of the Russian Far East, the Kremlin anxiously watched Washington's reaction to the Shantung incident.[3] In the middle of May, 1928, the Soviets warned the Western Powers of Japan's far-reaching aims in Eastern Asia. This, the Soviets stated, had been revealed in her attempts to seize the Chinese Eastern Railway and occupy Eastern Siberia as well as in her endeavor to establish her influence over Manchuria and Northern China in the post-World War I period.[4]

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[1] Ibid., December 2, 1927, p. 2; FRUS: 1927, II, 490-91.

[2] Pravda, May 17, 1928, p. 1.

[3] In 1926, the Soviet Embassy at Tokyo informed the American State Department that Japanese military circles were planning a war with the United States and the conquest of Siberia. Document X-K, July 24, 1926, Hoover Papers, AG 3: Box 259.

[4] Pravda, May 11, 1928, p. 8.

In an effort to encourage the United States to intervene in Shantung, the Soviets not only stated that the Coolidge Administration had an obligation to protect the rights of American citizens in China, but that the Chinese bourgeoisie expected Washington to support China in her struggle against Japan.[1] By the end of May, 1928, the crisis in Shantung had eased, and, although the Soviets resumed their verbal attacks on the policy of the United States in the Far East, they also acknowledged that Washington had supported the Chinese Nationalists against the Japanese in Shantung. However, the cease fire on the Shantung peninsula did not dispel Soviet fears of another Japanese invasion of Siberia.[2]

While Moscow and Washington were in agreement that Japan should not be allowed to expand her economic and political influence in Asia, they clashed over the revolutionary developments in China, and both governments intervened in that country during the years 1925-1928. The Soviets not only provided the Chinese radicals with military supplies, but gave them advice and encouragement: Stalin constantly urged the Chinese Communists to work within the Kuomintang in a broad coalition of all the anti-imperialist and oppressed social forces in China.[3]

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[1] Ibid., May 13, 1928, p. 1.

[2] The Soviets noted that Washington supported the Nationalist Government at Nanking even while, they said, the government of Chang Tso-lin was preparing to yield to Japan.

[3] Stalin, Works, IX, 243-73; X, 10-39. Stalin continued to advocate this policy even after the Chinese Communists broke with Kuomintang in March of 1927.

Eventually, he argued, Chiang Kai-shek would be overthrown because he was trying to maintain an untenable position between the agrarian revolutionaries and the warlords, such as Chang Tso-lin and Chang Tsung-chang.[1] Since Chiang Kai-shek was destined to be swept away by the dialectical forces of history, Stalin supported the decision of the radical Wuhan government to conduct an offensive in 1927 against Chiang Tso-lin rather than Chiang Kai-shek.[2] Although Stalin clothed his statements in Marxist terms, he was basically motivated by traditional Russian interests in China.[3]

The United States also proclaimed the right of the Chinese people to determine their own destiny, but at the same time, sought to protect the rights of her citizens and their property in China. To protect these rights, an Anglo-American fleet bombarded Nanking in March, 1927 in retaliation for the looting of foreign property and the murder of several missionaries and foreign Consular officials by Nationalist troops. The action of the American navy also helped to prevent the Communists from taking the province of Fukien and broke up the Communist offensive against the city of Hankow.

As early as July, 1925, China announced that she had the right to cancel the extraterritorial treaties because they

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[1] Ibid., p. 263.

[2] Ibid., pp. 358-59.

[3] Soviet Russia was far more threatened by Chang Tso-lin's attacks on Russia's property in Manchuria than she was by Chiang Kai-shek's attempt to unite all the nationalist forces in China, because the latter's movement might include anti-imperialist and anti-Western groups.

violated her national sovereignty. The Chinese merchants who were engaged in the importation of foreign goods questioned this policy, but other than these, almost all Chinese agreed that the extraterritorial treaties must be abolished. In July, 1928, the government at Nanking declared that all the extraterritorial treaties were invalid, and that new agreements must be negotiated at once to replace them.[1] However, the American State Department announced that the United States would reject this unconditional and unilateral cancellation of American rights in China.[2] On the eve of the Sino-Soviet conflict of 1929 over the status of the Chinese Eastern Railway, the government at Nanking again urged the Great Powers to renounce their extraterritorial privileges and intimated that it would attempt to negotiate a new agreement with the United States over this problem.[3]

Soviet Russia was also threatened by the efforts of the Nationalist Government to terminate all special foreign rights and privileges in China. Almost from the time that it was signed, the Sino-Soviet agreement of 1924 had failed to resolve the question of the ownership and management of the Chinese Eastern Railway, and the period between 1924 and 1929 was marked

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[1]After the break between the Communists and the Nationalists, China's capital was moved from Peking to Nanking.

[2]FRUS: 1928, II, 456-59.

[3]In February, 1929, the American Senate did approve a treaty which recognized the right of the Nationalist Government to control China's tariff schedule. This treaty had been signed earlier by the American Minister to China in July, 1928, and act which had, in effect, affirmed American recognition of the government at Nanking.

by a number of clashes and other incidents between the governments of Manchuria and Russia. In July, 1929, Chang Hsueh-liang, the Chinese ruler of Manchuria, attempted to take complete control of the vital rail line, and shortly after this, fighting broke out along the border of Russia and Manchuria.[1] The Kremlin felt that Great Britain, France, and Japan had encouraged the government at Harbin to seize the Chinese Eastern Railway in order to weaken the Soviet Union, or even as prelude to an invasion of the Russian Far East by the capitalist powers.

The British and French governments deeply resented the revolutionary and subversive activities of the Third International that inflamed the European working class and incited the Asian masses to revolution.[2] Furthermore, in violation of her pledges to London and Paris, Soviet Russia ignored the claims and rights of British and French interests to the Chinese Eastern Railway. The Soviets, on the other hand, felt that they were surrounded on all sides by their enemies, and, therefore, the role of the United States in the Sino-Soviet conflict of 1929 was crucial.

Only the United States, among the Great Powers, supported Soviet Russia during the Sino-Soviet conflict of 1929.

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[1]Marshal Chang Hsueh-liang was the son and successor of Chang Tso-lin.

[2]In May, 1927, London broke off diplomatic relations with Moscow when the British police raided the offices of the Arcos, Ltd., the Soviet commercial agency and trade delegation in Great Britain, where they allegedly found documents proving it the center of a Communist spy ring in Great Britain. Also, the British Government threatened to support the Poles in the summer of 1927 when it appeared that a war was about to break out between Poland and Russia.

In mid-July of 1929, Secretary of State Stimson told the Chinese foreign Minister that China had acted too hastily over the question of the Chinese Eastern Railway, and that the entire matter could be settled through international arbitration.[1] However, the Soviet Government refused to conduct negotiations with the Chinese, and the Red Army launched a full-scale invasion of Manchuria. The army of Chang Hsueh-liang was no match for the Soviet forces who quickly and easily routed his troops.

The American State Department had been informed that the Soviet forces in the Far East were well-equipped and ready for combat, but when war seemed imminent in July, 1929, Stimson confined himself to a note reminding the Chinese and Soviet governments that they were signatories of the Kellogg-Briand Peace Pact, and took no further important diplomatic action until the end of 1929 when the Soviets had won a decisive military victory. In December, 1929, the American Secretary of State again appealed to the belligerent powers to observe the terms of the Kellogg Pact, and he called on all the signatories of the Pact to support him in this appeal. On the day after Stimson dispatched this appeal for peace to Moscow and Peking, the government at Mukden yielded to the Soviet demands and agreed to restore the status of the Chinese Eastern Railway as it existed before the fighting.

Stimson publically and privately declared that he had been unusually successful in dealing with the Sino-Soviet

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[1] FRUS: 1929, II, 215.

crisis of 1929, and the American business community agreed with this assessment of his diplomacy. The American business press not only approved of Stimson's appeals to Moscow and Peking as "an act of common sense in the interest of world peace," but sympathized with the efforts of the Bolshevik Russians to protect their railway property in Manchuria.[1] In December, 1929, the Chicago Journal of Commerce stated in an editorial that "from the outset of this controversy, Russia has been mainly in the right in her contentions, whatever may be said of the means she has used to enforce them."[2] The Chinese, the editorial concluded, have learned from their recent experience with Russia that they cannot abolish extraterritorial rights by unilateral action.

Neither China nor Russia shared Stimson's point of view. Although the Soviet Government was among the initial signatories of the Kellogg-Briand Pact, Soviet propagandists described it as an attempt of the United States to impose her will on the world in general, and the Soviet Union in particular.[3] Even the Soviet Foreign Minister declared in August, 1928, that the basic purpose of the Pact was to prevent Russia from de-

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[1] Chicago Journal of Commerce, December 16, 1929, p. 16.

[2] Ibid., December 27, 1929, p. 16.

[3] The Soviets had the same ambivalent attitude towards the League of Nations. On the one hand, they resented their exclusion from the League and its committees, and on the other, they denounced it as a tool of Anglo-French imperialism.

fending herself from her enemies.[1] Chicherin was especially critical of the United States, who, he said, was instrumental in excluding Russia from the conference that drew up the pact.[2] The Soviet Government was further offended when the American Senate stipulated that its ratification of the Pact did not imply recognition of the Soviet Union.[3] When Stimson appealed for peace in December, 1929 on the basis of the Kellogg Pact, the Kremlin was completely exasperated; Litvinov, then the Acting Commissar of Foreign Affairs, sent a stinging reply to Washington and London, in which he rebuked the United States for her interference in the Sino-Soviet dispute. Washington's meddling was particularly irritating, he said, in light of the peaceful foreign policy of the Soviet Union, and the refusal of the United States to recognize the Soviet Government while giving her advice and counsel.[4]

Part of the Kremlin's strong reaction to Stimson's note was undoubtedly due to its fear that the United States intended to reestablish international control over the Chinese Eastern Railway. International control, the Kremlin suspected, really meant American control of the railway, and Stimson had

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[1]Chicherin, Stati i Rechi Po Voprosam Mezhdunarodnoi Politiki, pp. 496-500.

[2]Ibid. The conference was held at Paris.

[3]Pravda, December 9, 1928, p. 1. However, the Soviets did note that Washington had reminded the Polish Government of its obligations under the Kellogg-Briand Pact when Poland threatened to declare war on Russia during the summer of 1928. Izvestia, January 1, 1929, p. 1.

[4]DVP, XII, 603-5.

disguised his real intentions by invoking the Kellogg-Briand Peace Pact.[1] In August, 1929, the Chinese Minister of Railways did approach the American Government and the Morgan financial interests in regard to a loan for the purchase of the Chinese Eastern Railway.[2] The American State Department, however, refused to support this Chinese plan because neither the Soviet nor the French governments would agree to it.[3]

Neither this setback nor her decisive defeat at the hands of the Russians in 1929 discouraged the Chinese Nationalist Government from its efforts to abolish extraterritoriality. In August, 1929, the United States and Great Britain again rejected Nanking's request for the immediate abolition of their treaty rights in China. Instead, Stimson suggested that Nanking take a more moderate approach to this question and gradually reduce foreign rights in China, but this was unacceptable to the Nationalist Government. Nanking then took unilateral action and declared that all extraterritorial privileges would be abolished on January 1, 1930, but this date was later postponed to January 1, 1932.[4] The problem of foreign extraterritorial

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[1] Izvestia, August 8, 1929, p. 1. At the end of July, 1929, the Soviets had stated that the United States was opposed to China's attempt to seize the railway, but one week later they reported a clandestine American plot to establish American control over the Chinese Eastern Railway.

[2] FRUS: 1929, II, 825.

[3] Ibid.

[4] In the meantime, Japan had invaded Manchuria and the question of extraterritorial rights in China was indefinitely postponed.

rights in China continued to hamper Sino-American relations in 1930 and 1931, and during these two years the United States was also threatened by the rejuvenation of the radical forces in China.[1]

The Chinese Communists were defeated but not crushed in 1927; they learned from their previous mistakes and built a new movement which was independent of Moscow's control. While jealous and ambitious rival leaders tore the Nationalist Government apart, the Communists tried to win the support of the millions of Chinese peasants. By 1930, the Communists controlled several provinces in Northern China and had a large and well-organized army, and possibility that all of China would fall to the Communists was a constant source of anxiety to the American State Department.

The entrenchment of the Communists in Northern China took place at a time when American markets and investments assumed a new importance. The foreign trade of the United States declined drastically after the collapse of the American stock market in October, 1929; in contrast to this general trend, American exports to China, India, and Japan in 1931 increased by 6 per cent over those of 1930.[2] In the year that the economic

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[1]The American diplomatic corps in China reported a number of attacks by both Nationalist and Communist troops on Americans and their property during the period 1927-1931.

[2]Chicago Journal of Commerce, July 1, 1932, p. 2. Since China had just entered the initial phase of her industrialization, there was reason to believe that American exports to China would continue to grow.

depression began in the United States. American investments in the Far East were valued at approximately one billion dollars, three-fourths of which represented loans to local, provincial, and national governments.[1] Thus, the United States had a substantial stake in the preservation of the political status quo in Asia.

The importance of American investments in China could not be measured in financial terms alone: thousands of Americans had sent an unestimable amount of money to China for missions, schools, and hospitals, and this charitable effort had fired the idealistic enthusiasm of the American people. American business interests had a large financial stake in Japan too, but this consisted largely of loans.[2] Ironically, these loans enabled Japan to compete with American firms throughout the world; with these American loans, Japanese manufacturers of electrical equipment could even penetrate the domestic American market.[3] After October, 1929, however, the United States was faced with the most serious economic crisis of her entire history and could neither continue to absorb Japanese goods nor to make loans to Japan.

Having been excluded from the internal American market, Japan began to look for new markets and sources of raw materials

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[1] Ibid., July 2, 1929, p. 3. Almost all of these investments were made between 1914 and 1928.

[2] Joseph Barnes (ed.), Empire in the East (Garden City: Doubleday, Doran, and Co., 1934), p. 168.

[3] Ibid.

in Manchuria, and this brought her into conflict with Russia. By the beginning of 1930, Russia had regained her pre-1917 position in Northern Manchuria. The Soviets undersold their Japanese, European, and American competitors there, and even the local Chinese merchants could not successfully compete with the Soviet commercial agents. In the South Manchuria Railway zone, the Japanese residents also preferred Soviets goods because of their high quality and low prices. In addition, the Soviets dominated the markets of Eastern Turkestan, a part of Tibet, and Outer Mongolia, and it appeared to Tokyo that Russia had resumed her imperial thrust into China's border areas.[1]

The United States, like Japan, was threatened by Soviet economic activities in Manchuria. In 1930, for example, the Texaco and Standard oil interests had controlled half of the market for gasoline and kerosene in Northern Manchuria, but a year later, the Soviet state oil trust had a virtual monopoly of these petroleum products in that area.[2] In 1931, Washington was confronted with a grave situation in China; the Chinese markets had acquired a new importance to the United States while the rising forces of nationalism and radicalism threatened to

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[1] DVP, XV, 466; Kiyoshi Karl Kawakami, Japan Speaks on the Sino-Japanese Crisis (New York: Macmillan Co., 1937), p. 138. Japan's leaders were aware that Russia's position in the Far East would be further strengthened upon completion of the First Five-Year Plan which involved the economic development of Siberia.

[2] New York Times, December 6, 1931, p. 8. Standard Oil of New York, a major purchaser of Russian oil in the 1920's, was the Standard company that had been forced out of Northern Manchuria by Soviet economic competition.

close these markets to American business interests. The American Government was unwilling to intervene militarily on a large scale to safeguard American economic interests in Eastern Asia. Who then, would restore order in China?

CHAPTER IX

THE JAPANESE INVASION OF MANCHURIA AND THE END OF THE POLICY OF NONRECOGNITION

From their island empire, the Japanese ruling class apprehensively watched the growth of nationalism and radicalism in China.[1] The annexation of Formosa and Korea had failed to solve Japan's economic problems, and she still desperately needed markets and raw materials to feed her fast-growing population. The depression which began in 1929 had exacerbated Japan's economic problems, leaving the country beset by widespread unemployment and deep social unrest. Many university graduates could not find employment or could obtain only part-time work, while the young army officers felt that they had suffered a decline in social status because the military life had lost some of its exalted status in their nation's eyes. The development of rayon and the subsequent decline in American imports of raw silk, Japan's major cash crop, was a serious blow to the debt-ridden peasants. Under these circumstances, patriotic and military groups, like the Black Dragon Society, attracted many followers

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[1] In June, 1930, the Japanese Government announced that it would follow a policy of strict neutrality and non-interference in the Chinese civil war, but two months later Tokyo declared that it was ready to take strong measures to protect Japanese nationals and their property at Hankow.

among the middle class and the peasantry, and many Japanese of all social classes came to believe that only a resumption of imperial expansion would solve their country's problems.

Within the Japanese ruling class, a struggle erupted between the militant imperialists and the liberals who also advocated foreign expansion, but without alienating Great Britain, France, and, above all, the United States. While the imperialists realized that further expansion in China would antagonize the United States, they felt that Japan must strike in Manchuria before it was too late because Manchuria was rapidly becoming an integral part of China. Land-hungry Chinese peasants had been pouring into Manchuria so that by 1930, they comprised 28 million of the 30 million inhabitants of Manchuria. In contrast to this, only 250 thousand Japanese nationals lived in Manchuria in 1930, and most of these were Korean peasants; the remainder consisted of people in business, the army, and government administration who had no permanent roots in Manchuria.[1]

The growing anti-Japanese movement in China was an even greater threat to Japan than her failure to colonize Manchuria. Although the Soviets accused Chang Tso-lin of being a puppet of Tokyo, his government had forbade, under severe penalty, the sale or lease of land in Manchuria to Japanese nationals. The son and successor of Chang Tso-lin, Chang Hsueh-liang, continued his father's anti-Japanese policy; in the first months of 1929,

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[1]Many of the Japanese living in Manchuria expected to return to Japan.

the pro-Japanese party was eliminated from the government at Harbin. In the face of these developments, the influential Tokyo newspaper, Asahi, predicted in 1929 that Manchuria's foreign relations eventually would be controlled by Nanking and this, the newspaper said, would be to the disadvantage of Japan. Tokyo's anxiety was further aroused at the end of 1929 when Chang Hsueh-liang announced that Manchuria would accept the authority of the government at Nanking and adopt the flag of Nationalist China.

During the 1920's, the Manchurian Government launched an energetic program of railway construction which threatened the Japanese-owned South Manchuria Railway, and Tokyo was further antagonized by the use of American equipment on two important Manchurian rail lines--the Hailung-Kirin and Hulan-Hailun railways.[1] Japanese officials openly expressed their displeasure when American equipment was unloaded at Dairen, and the South Manchuria Railway flatly refused to transport it to the construction sites.[2] When new difficulties arose in October, 1929 over further shipments, it was agreed that any future deliveries would be sent to a port other than Darien. To serve their new rail system, the Chinese began to build a new port at Hulutao, which was scheduled to be completed in 1935. Tokyo feared

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[1]Tokyo refrained from taking immediate action against Chang Hsueh-liang partly because Japanese financial interests had advanced loans to Manchuria which yielded large profits.

[2]Chinese laborers moved the equipment to the railroad sites.

that the Hailung-Kirin rail line, which ran parallel to a section of the South Manchuria Railway, would draw the wealth of Southern Manchuria away from Dairen to the new Chinese port.

The South Manchuria Railway and Japanese financial interests had lent much of the capital and provided many of the engineers that enabled Harbin to build a number of railroads, but the Hailung-Kirin Railway was financed entirely by Chinese capital and built by a Chinese company.[1] American rails were used on this line, which was the first link in the construction of a trans-Manchurian railroad, and when the State Department blocked a prospective loan to the South Manchuria Railway in 1927, Tokyo's resentment of American policy in Manchuria was heightened still further. Consequently, the Japanese Government refused to support Stimson's appeal to Russia and China for peace in December, 1929, and in the following year, Tokyo was disturbed by a rumor that American business interests wanted to buy the Chinese Eastern Railway.[2] The depression which began in 1929 added to Japan's difficulties in Manchuria; the income of the South Manchuria Railway declined in 1930 to well below that of 1929, causing a postponement in repairs and making it necessary to dismiss a number of employees.

In 1931, Japan, was basically an agricultural country

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[1]Tokyo feared that the Manchurian Government would not repay these large loans which amounted to 953 million dollars, including interest, in 1931.

[2]The Chinese Eastern Railway also used American equipment.

whose industry was at a low level of development compared with that of the United States, Great Britain, and Germany. Even if Japan were to have increased her pace of industrial development, the international markets were already largely dominated by the United States and Western Europe. Under these circumstances, a social revolution might have erupted in Japan, but the Japanese Government suppressed all radical groups and movements. After the radical parties received a large number of votes in the election of February, 1928, 1,422 persons were arrested and brought to trial for communistic activities during the next three years, of whom 469 were actually convicted.[1] Moreover, Tokyo suppressed leftist movements throughout the Japanese Empire; in July, 1927, the Japanese police conducted massive arrests among the workers of Dairen and sixty persons charged with being Communists were placed on trial.

These efforts to crush the radical movements in the Japanese Empire impressed a number of officials in the Hoover Administration, including the President himself. But while Japan was clearly opposed to the spread of communism in Asia, her attitude towards American property in China was less clear. On the eve of the Sino-Soviet conflict of 1929, American businessmen in Manchuria stated that "they would not have a dollar invested there except for the security which is afforded by Japan's interest in Manchuria, and Japan's determination that civil war and disorders" would not spread into her sphere of

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[1]Those arrested included members of the Japanese Diet as well as workers and intellectuals.

influence there.[1] But only four months after this statement was made, the Japanese authorities in Manchuria tried to close the Mukden office of the American-owned Foster-McClellan Company.

Even after the Kwantung Army had launched its invasion of Manchuria, the American Consul at Dairen felt that any disadvantages which might accrue to Americans as a result of the Japanese action were only of a temporary nature. Although the Consul admitted that Tokyo had acted to prepare the way for renewed Japanese economic activity in Manchuria, he pointed out that the severity of Japan's action might "give the Chinese authorities a greater sense of responsibility in foreign relations, with ultimate benefits to foreign trade and residents in China."[2] Initially, Secretary of State Stimson was also relatively unperturbed over the Japanese invasion of Manchuria.

Only three days after the outbreak of hostilities in Manchuria, Stimson casually reminded the Japanese Government of its obligation to observe the terms of the Kellogg-Briand Pact and maintain peace in Manchuria. Moreover, he opposed the establishment of an international committee of investigation lest this antagonize Japan, and recommended instead that Tokyo and Nanking hold bilateral discussions.[3] With the intention of applying moral pressure on Japan, an American diplomat participated in the League of Nation's discussion of the Manchurian

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[1] New York Times, February 24, 1929, sec. 3, p. 9.

[2] FRUS: 1931, III, 87.

[3] U.S., Congress, Senate, Conditions in Manchuria, 72d Cong., 1st Sess., 1932, p. 5.

situation, and on October 20, 1931, Stimson appealed to the governments at both Nanking and Tokyo to adhere to the Kellogg-Briand Pact. Shortly before making this appeal, Stimson confidentially informed Hoover that the League of Nations was effectively dealing with the Sino-Japanese crisis along the same lines "followed in respect to the Russian-Chinese controversy in 1929" except that France, rather than the United States, was assuming the role of arbitrator.[1] At the proper time, he wrote, the American Government would be in a position to intervene in the current crisis in Manchuria, as it had done in 1929. Indeed, Hoover and Stimson were so confident that the United States would not become deeply involved in the Manchurian embroglio that, in the first week of October, 1931, they spoke of American naval disarmament.

When the Soviets learned of the Japanese invasion of Manchuria, they feared that it was only the first step of a plan to attack the Russian Far East.[2] The immediate concern of the Kremlin centered on the future of the Chinese Eastern Railway and a possible Japanese occupation of Northern Manchuria. As a warning to Tokyo, the Soviets began massing troops on the Manchurian border during the first week of October, 1931, but this did not discourage Japanese forces from entering the Soviet sphere of influence in the very next month. Fearful of

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[1] FRUS: 1931, III, 230.

[2] Furthermore, the Kremlin feared that the Bruening government would prepare the way for Hitler's accession to power, forcing Russia to fight a two-front war.

provoking Tokyo, the Soviets offered no resistance to the advancing Japanese troops and urged the Japanese Government to sign a non-aggression pact with them.

The Soviets, as they had in 1919, looked to Washington for support against the Japanese thrust into Northeastern Asia, but since the Hoover Administration did not immediately take a strong stand against Tokyo, the Kremlin suspected that the United States had reached a secret agreement with Japan.[1] When Stimson reminded Japan in September, 1931 that she was a signatory of the Kellogg Peace Pact, the Soviets bitterly criticized his action as another example of American imperialism in Asia; Washington, they said, sought to use Japan as a battering ram to prepare the way for the triumph of American capital in China.[2] The Soviets felt that Washington had been forced to protest such an outrage as the Japanese bombardment of Mukden because the government at Nanking was an ally of the United States.[3] But in the long run, they said, the Japanese invasion of Manchuria was only the first step of a grandiose capitalist plot to strangle the Soviet Union, and this theme was repeated by Communists all over the world.[4]

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[1]Leonid Nikolaevich Kutakov, Istoria Sovetskovo-Iaponskich Diplomaticheskikh Otnoshenii akh (History of Soviet-Japanese Diplomatic Relations) (Moscow: Institute of International Relations, 1962), p. 105.

[2]The Soviets pointed out that American trade with China was increasing while the United States drained Japan of her gold reserves.

[3]Pravda, September 25, 1931, p. 1.

[4]Ibid., November 14, 1931, p. 1; December 1, 1931, p. 1; December 2, 1931, p. 1.

During October and November of 1931, it appeared that Soviet Russia would have to face a Japanese onslaught alone; however, the British and French refusal to support Washington's Far Eastern policy gave the Kremlin some hope that the United States might still turn to Russia as an ally.[1] Washington's attitude towards Japan changed drastically when Tokyo decided to seize all of Southern Manchuria and to eradicate the government of Chang Hsueh-liang.

On October 8, 1931, Stimson blandly told Dr. Yung Kwai, the Chinese Chargé d'Affaires in Washington, that the Hoover Administration would not take sides in the Manchurian controversy.[2] On the same day, twelve Japanese naval airplanes bombed Chinchow, and Stimson's attitude towards the situation in Manchuria changed considerably.[3] In spite of appeals from the United States and the League of Nations, Japanese forces continued to advance in Chinchow while other Japanese columns pushed into Northern Manchuria. During the last week of November, 1931, the Japanese evacuated Tsitsihar, in the Chinese Eastern Railway zone, and intensified their attack on Chinchow.

Tokyo rejected the last-minute pleas of the American State Department for a cease-fire, and Chinchow surrendered to the Japanese on January 3, 1932, thereby giving them complete

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[1] DVP, XIV, 582.

[2] Richard Current, Secretary Stimson: A Study in Statecraft (New Brunswick: Rutgers University Press, 1954), p. 75.

[3] Chinchow was the temporary capital of Chang Hsueh-liang's government.

control of Southern Manchuria. The occupation of the city also enabled Japan to cut the main artery of the Chinese rail system in Manchuria as well as to nullify the usefulness of the nearly port of Hulutao. Most important of all, the Japanese seizure of Chinchow indicated that Tokyo was not looking to Siberia but to China proper for markets and raw materials. This was made clear by the Japanese naval attack on Shanghai during the latter part of January, 1932, and Tokyo's efforts to expel American business concerns from Manchuria.[1]

In attacking Shanghai, the Japanese sought to break up the Chinese boycott of their goods and to warn Nanking against any attempt to resist Japanese economic and political aims in China. Because Shanghai was the financial and commercial center for American and European interests in China, Japan's attack on the city also notified the Western Powers that she meant to establish herself as the paramount power in China. The American enterprises in Shanghai, which were valued at 115 million dollars, included oil installations, tobacco warehouses, factories, and business establishments. Much of this property was damaged during the Japanese attack, and American firms suffered from the restrictions on trade imposed by the Japanese occupying forces.[2]

Throughout 1931 and 1932, Tokyo assured the United States that the primary goal of Japan's foreign policy was the

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[1]American economic interests in Manchuria and at Shanghai were exceeded only by those of Japan.

[2]FRUS: 1932, III, 700.

eradication of Bolshevism in Asia and the preservation of the Open Door in China. Despite these verbal assurances, Tokyo continued to force American companies out of Manchuria. Among the most important American firms with interests in Manchuria were the National City Bank of New York City and the Standard Oil Company of New York; by restricting the commercial activities of these two concerns, Japan antagonized the powerful Morgan and Rockefeller interests.

In the early 1920's, the Japanese Empire provided only one-third of the oil consumed by its industry, merchant marine, and navy. After World War I, Japan had attempted to seize the oil fields of Siberia, but the United States forced her to withdraw her forces from the mainland. However, Japanese troops continued to occupy Northern Sakhalin, and the Kremlin granted the former Sinclair concession to Japanese interests in an effort to get the government at Tokyo to withdraw its troops from Russian Sakhalin. The yield of the oil fields on Northern Sakhalin was disappointingly low, and petroleum-deficient Japan might have struck to the north in 1931 and seized the Siberian oil fields, as she had done in the post-World War I period. Instead, Japan forced the American oil companies, including the Socony-Vacuum, Texaco, and Asiatic Petroleum companies, out of Manchuria and attacked Shanghai where much of the American property consisted of oil installations.

When the Japanese forced the National City Bank to transfer its Manchurian offices to Japan, they antagonized the

most powerful bank in the Orient, but they also struck back at a bank which had impeded Japanese expansion in Manchuria. In 1919, the Wilson Administration had asked the Morgan interests to reestablish another financial consortium for the purpose of regulating foreign loans to China--a move which was directed primarily against Japan.[1] In 1927, the Morgan financial interests had bowed to the wishes of the government at Nanking and had refused to float a loan to the Japanese-owned South Manchuria Railway. Furthermore, shortly after the Kwantung Army launched the invasion of Manchuria, the National City Bank had begun to recall its deposits that were held by Chinese banks in Manchuria --a policy which created difficulties for the Japanese banks there.[2] The Japanese Ambassador to the United States finally admitted in February, 1933 that Tokyo had excluded American business interests from Manchuria, but he hastened to add, the United States could continue to provide all of the raw materials needed by Japanese industries in Manchuria.[3] This argument did not impress the American business community which had become increasingly hostile towards Japan during 1932.

President Hoover, however, remained convinced before and after the Japanese occupation of Chinchow that the communists, and not Japan, were America's major enemy in the Far East. In

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[1]Lewis Corey, The House of Morgan: A Social Biography of the Masters of Money (New York: G. Howard Watt, 1930), p. 428.

[2]Pravda, October 23, 1931, p. 1.

[3]FRUS: 1933, III, 183.

October, 1931, Hoover read a memorandum to his Cabinet in which he outlined his attitude towards the Manchurian crisis.[1] Japan, he pointed out, enjoyed only a temporary military advantage over China; eventually the Japanese would be expelled or absorbed into China's huge population and ancient civilization. The President recalled the long tradition of friendship between America and Japan, and, because of this, he said that the United States should consider Japan's attitude toward the Manchurian controversy. China, he asserted, could not maintain the internal order needed to meet her treaty obligations; half of the country was controlled by the Communists who were cooperating with Bolshevik Russia, while Manchuria was ineffectively ruled by a military adventurer who was politically independent of Nanking. This situation had so seriously threatened Japan's political security and economic survival that she was forced to take action to restore order in China at a time when none of the other adherents to the Nine-Power Pact would take such action.

While the government at Tokyo acted to safeguard foreign nationals and property in China, Hoover urged the United States to remain aloof from international entanglements which would involve the United States in an Asian war. Above all, he opposed an American war with Japan because "neither our obligations to China, nor our own interest, nor our dignity" required us to

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[1]Ray Lyman Wilbur and Arthur Mastick Hyde, The Hoover Policies (New York: Charles Scribner's Sons, 1937), p. 600.

wage such a war.[1] But if we did enter into a war against Japan, the President warned, we would have to train and arm the Chinese because the United States could not prevail with our naval forces alone, and such American involvement would arouse world opinion against us. Furthermore, Hoover absolutely opposed economic or political sanctions against Japan, either alone or in conjunction with other countries, because he felt that these would lead to a war. Instead of sanctions, the President advocated a policy of international cooperation and moral pressure in settling the problem of Manchuria. In his message to Congress on December 4, 1931, Hoover again emphasized the importance of a negotiated and peaceful settlement of the Manchurian controversy. This, he said, could only be achieved through cooperation with the League of Nations, and under the terms of the Kellogg-Briand Pact and the Nine-Power Treaty.

Secretary of State Stimson did not agree with the President's views of the Far Eastern situation, and he became increasingly convinced that Japanese expansion represented a serious threat to American interests in Asia. On January 7, 1932, Stimson stated that the United States would regard the Japanese seizure of Manchuria as an illegal action, but President Hoover and Undersecretary of State Castle clashed with Stimson over the meaning and implementation of the so-called Doctrine of Nonrecognition. Castle had served as the American Ambassador to Japan in 1930, and he continued to sympathize with the aims of

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[1] Ibid.

Tokyo's foreign policy throughout 1931 and 1932.[1] In 1930, Castle told a group of reporters at the London Naval Conference that "any talk or suggestion of war between Japan and the United States . . . is an absurdity" because of the large volume of trade between the two countries.[2] Castle returned to the United States in the spring of 1930 to serve as the Assistant Secretary of State for Far Eastern Affairs, and in the following year, Hoover appointed him to the position of Undersecretary of State.[3] Castle acted as Hoover's principal spokesman in the State Department, which embittered relations between Castle and Stimson. Even after the Japanese attacked Shanghai in January, 1932, the President again told his Cabinet that he opposed American involvement in an Asian land war; Stimson, on the other hand, emphasized the importance of American investments in China.[4]

Fearful of an American-backed Japanese attack on Siberia, the Soviets gleefully announced in December, 1931 that the solidarity of the American and Japanese imperialists was coming to an end.[5] In the early part of 1932, the American fleet conducted maneuvers in the Pacific which the Kremlin regarded as a warning to Japan, but still fearful of an alliance between Wash-

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[1]According to the Soviets, Castle had told the Japanese in 1930 that Washington would give them a free hand in Asia. DVP, XIII, 126.

[2]New York Times, August 10, 1930, sec. 3, p. 4.

[3]Castle replaced Joseph Cotton who had a good working relationship with Stimson.

[4]Stimson, Diary, entry for January 26, 1932.

[5]Pravda, December 17, 1931, p. 1, December 18, 1931, pl 1.

ington and Tokyo, the Soviets denounced the maneuvers as the natural result of the contradictions which had arisen among the imperialists for control of China.[1] The Soviets were also pleased with the conflict between Hoover and Stimson, who, they felt, was moving towards recognition of the Soviet Union.[2]

While the Soviets failed to oppose the Japanese push into Northern Manchuria during the winter of 1931-1932, they feverishly prepared for an expected Japanese attack on Siberia.[3] It was in this light that the Kremlin interpreted Tokyo's broken promises that it would not enter the Chinese Eastern Railway zone and not support the White Russians in Manchuria. Although the Soviets had lost hope that Hoover's attitude towards them would change, they did perceive a number of hopeful signs that others in the government at Washington were reconsidering the policy of nonrecognition, particularly as American-Japanese relations worsened during the winter of 1931-1932. Soviet news sources stated that the Secretary of the Navy was pressing for a larger American fleet, and the Navy League strongly criticized Hoover for his moderate policy towards Japan.[4] The same sources reported that many Americans were discussing a boycott of

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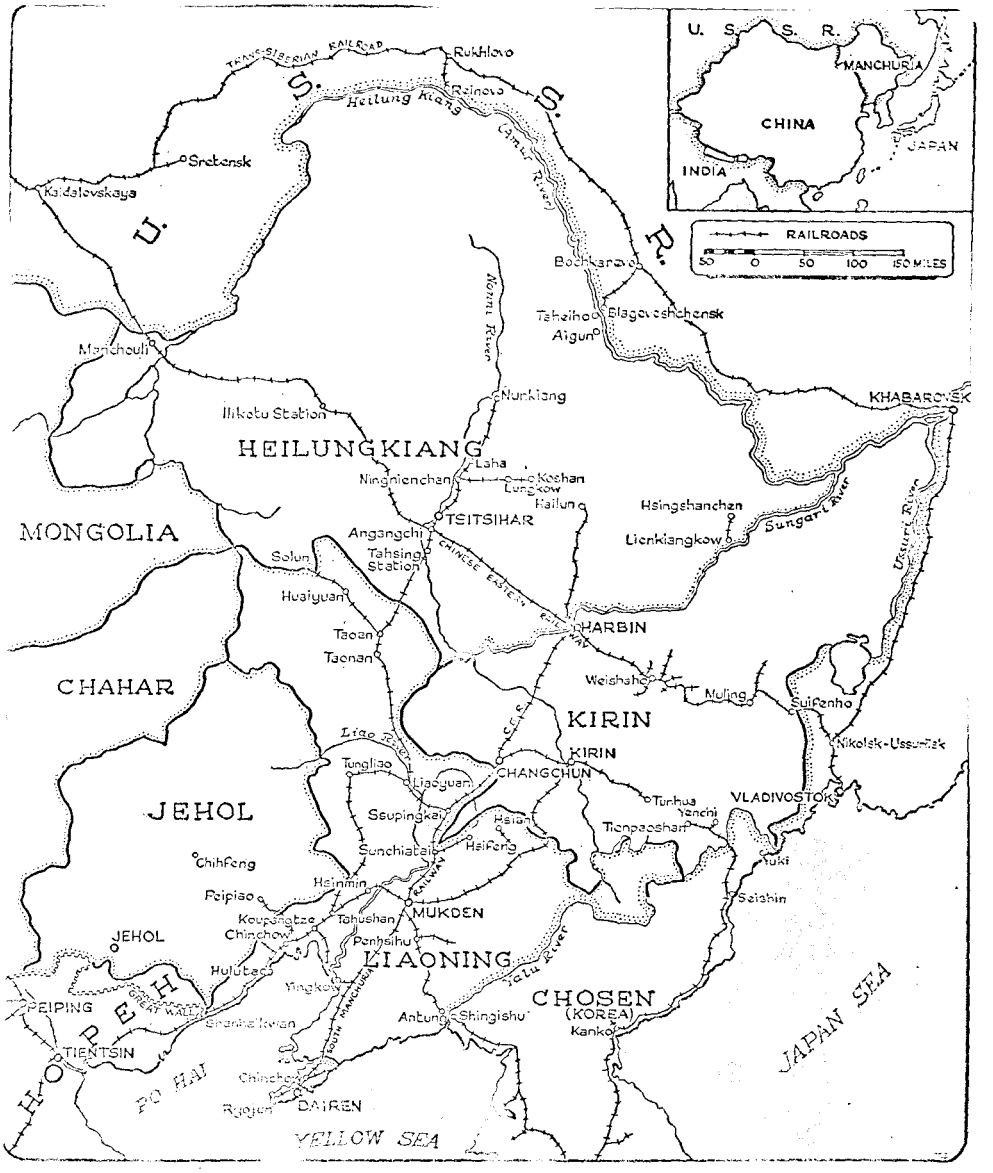
[1] Izvestia, January 26, 1932, p. 2.

[2] DVP, XIV, 186-87.

[3] At the same time, the Kremlin nervously watched the growth of the Nazi movement and the inauguration of a German rearmament program.

[4] Izvestia, January 9, 1932, p. 2.



MANCHURIA, 1931–1932
BASED ON THE LYTTON REPORT MAPS

Map 2

of Japanese goods or even a war with Japan.[1]

On the last day of January, 1932, even while Japanese guns were pounding the city, Stimson received word that the Japanese Government had agreed to submit the situation at Shanghai to international arbitration. In an attempt to frighten Japan into a more moderate position, Stimson wrote to Senator Borah in February, 1932, threatening Japan with American naval re-armament; on the same day that the letter was made public, the Senate Naval Affairs Committee approved a naval construction program which would cost one billion dollars. Although in 1932 the American fleet by itself could not challenge Japanese naval supremacy in the Eastern Pacific area (i.e., the Phillipines and Japan), the addition of all, or even the greater part of the British navy, would turn the balance of naval power against Japan.[2]

Unfortunately for Stimson, the British had a different attitude than his own towards Japan's Manchurian venture. All the major London newspapers and the British public, in general, sympathized with Japan.[3] Many British merchants were pleased with her humiliating treatment of China because of the indignities which they themselves had suffered at the hands of the Chinese. The British and French upper classes regarded not

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[1] DVP, XV, 71-72.

[2] George F. Hudson, The Far East in World Politics: A Study in Recent History (Oxford: At the Clarendon Press, 1937), p. 252.

[3] Armin L. Rappaport, Henry L. Stimson and Japan, 1931-1933 (Chicago: University of Chicago Press, 1963), p. 18.

Japan, but Bolshevik Russia, as the major enemy of Western civilization, and they feared that their working classes would follow the example set by the Russian Communists. Furthermore, the British and French governments resented Soviet propaganda and subversive activities in their overseas empires which already were seething with unrest and discontent. From London's point of view, the military power of Japan stood as a barrier between Soviet Russia and the Chinese Communists who had occupied large parts of Northern China.[1]

Great Britain and Japan were traditional allies and both countries were opposed to Russian imperialism in Asia. To the meet the threat of tsarist expansion in Manchuria and Korea, the British and Japanese governments had signed a defensive treaty of alliance in 1902, which was expanded to include India in 1905. The treaty was allowed to lapse in 1923 only because of American objections to it at the Washington Naval Conference; nevertheless, Anglo-Japanese relations remained cordial during the 1920's and early 1930's.[2] In contrast to the close relations between London and Tokyo, an intense economic and political struggle had erupted between American and British interests during the 1920's. Great Britain and France had emerged as the victors in World War I and enjoyed the fruits of their victory

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[1]Hudson, The Far East in World Politics, p. 256.

[2]The Soviet delegation to the Disarmament Conference at Geneva reported in 1932 that France and Great Britain were caught between their sympathies for Japan and their ties to the United States, who opposed Japanese expansion in China. DVP, XV, 75-76.

with enlarged empires, but, in actuality, both countries had been seriously weakened economically and demographically by the War. The United States, in contrast to Western Europe, had entered the War as a debtor nation and emerged from it as a creditor nation. Moreover, in the 1920's, American corporations and banks sought new areas for markets and investments, and these included the British and French empires. While refusing to compensate Western European interests for their nationalized Russian property, the Soviets assisted American business interests in the area of the fiercest Anglo-American competititon--the struggle for control of Asia's oil markets.

Although Tokyo had forced American business firms out of Manchuria, the governments at London and Paris hoped that under efficient Japanese rule, Manchuria would offer new opportunities to British and French banking and commercial interests.[1] Early in April, 1932, Stimson left for Geneva, ostensibly to attend the Disarmament Conference, but actually to enlist international support for his Far Eastern policy. The British Ambassador to the United States had already informed Stimson that London would not support his policy in Eastern Asia, but he continued to hope that the British attitude would change.[2]

Stimson hoped in vain and the British and French govern-

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[1] Shortly after the Japanese established a new government in Manchuria, London sent an official trade mission to Japan to discuss Anglo-Japanese economic cooperation in the new state of Manchukuo.

[2] FRUS: 1932, III, 360; Stimson, Diary, entry for February, 21, 1932.

International, and not from the intrinsic nature of the Soviet regime.[1] The Hoover Administration might consider the establishment of diplomatic relations with the Soviets, Stimson said, if they would first dissolve this propaganda organization which interfered in the internal affairs of other countries.[2] The Secretary of State's indirect communication with Litvinov had the effect of raising his hope of an American-Soviet understanding, and of arousing Tokyo's fear that the United States had, in fact, reached an accommodation with the Kremlin.

Rumors concerning the meeting between Radek and Davis circulated widely, and only one day after Stimson received Davis's report of the meeting, the Japanese Ambassador to Great Britain, Tsuneo Matsudaira, called on Stimson and asked him if Washington did indeed intend to open negotiations with the Kremlin concerning American recognition of the Soviet Union.[3] The Secretary of State stated that this was completely untrue, and he then asked Matsudaira if Japan harbored any intention of attacking the Soviet Union; the Ambassador denied that his

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[1]Memorandum of Conversation among Robert Kelly, Henry Stimson, and Frederick Pope, NA, State Department Files, 861.01/1757.

[2]Radek's surprising response to this statement was that the Soviets themselves would like to get rid of the Third International, but were not quite ready to do so.

[3]Stimson, Diary, entry for April 25, 1932. Matsudaira was in Geneva because he also was Japan's First Delegate to the League of Nations' Special Assembly on the Far Eastern Problem from March 3 to April 14, 1932, and he asked the same question of the American Minister to Switzerland, Hugh Wilson, four days prior to his meeting with Stimson.

government had any plan to invade Siberia or to organize the White Russians in Manchuria against the Bolsheviks. Despite Litvinov's complaints about the size of the forces involved, Matsudaira insisted that the Japanese Army had entered Northern Manchuria for the sole purpose of protecting the Japanese nationals there from the former Chinese soldiers who had become bandits. At the opening of the Diet in June, 1932, the Japanese Minister of Foreign Affairs reiterated that the thrust of his government's military forces into Northern Manchuria did not threaten the Soviet Union.[1]

In spite of these assurances from Tokyo, the Soviet Government believed that Japan would invade Siberia during the spring or summer of 1932. The Soviets warned Tokyo that they would be ready for such an attack, and in March, 1932, they announced the partial mobilization of Russia's armed forces.[2] At the same time, Japan began to strengthen her military defenses in Korea and Manchuria, a move which the American Embassy at Tokyo felt was directed primarily against the Soviet Union.[3] Also, the Japanese Minister of War, Sakao Araki, stated in May, 1932, that the differences between Japan and Russia were irreconcilable, and, therefore, it was merely a matter of time before a war broke out between the two countries.[4] Soviet

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[1] FRUS: 1932, IV, 50-51.

[2] Izvestia, March 4, 1932, p. 1. Mobilization was to begin in May, 1932.

[3] FRUS: 1932, IV, 103.

[4] LVP, XV, 447-48.

Russia, Araki argued, acted as the head of an international conspiracy which violated Japan's national sovereignty; in addition, the Kremlin had interfered with the right of Korea and Manchuria to join with Japan in a common political union of the three countries.[1]

Moscow regarded the international situation in mid-1932 as threatening: the Nazis were growing stronger while London and Paris were encouraging the Japanese imperialists. The latter, the Soviets felt, was demonstrated by the pro-Japanese attitude of the British and French members of the Lytton Commission who had investigated the situation in Manchuria. Among the Great Powers, only the interests of the United States were similar to those of Soviet Russia, and the Kremlin urged the Hoover Administration to take a stronger stand, short of war, against Japanese expansion in China.[2] With this in mind, the Soviets denounced what they called the weak and vacillating policy of the Hoover Administration in Asia, and, at the same time, sought American diplomatic recognition and a political entente with Washington.[3] During the spring of 1932, the Kremlin was en-

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[1]Araki had reference to the arrest of more than 100 persons in Manchuria who were charged with being Communists. The Soviet Consul General in Harbin protested these arrests, and even the American Consul General there commented that half of the arrests were "of a provocative nature." FRUS: 1932, III, 740.

[2]The Soviets feared that they would be drawn into an American-Japanese war.

[3]Izvestia, August 26, 1932, p. 2. Meanwhile, the Soviets continued to expose evidence of a plot between Washington and Tokyo to attack Russia.

couraged by the growing movement in the United States for recognition of the Soviet Union, which included several highly placed officials in the State Department as well as a number of Senators and Congressmen. In April, 1932, the head of the State Department's Eastern European Division and an Assistant Secretary of State privately told the Soviet representative in Washington that they favored the establishment of diplomatic relations with the Soviet Union but, they added, as long as President Hoover opposed this, there would be no change in American policy concerning this issue.[1]

On April 22, 1932, Congressman Sabath of Illinois introduced a resolution into the House of Representatives calling for the immediate establishment of normal political and economic relations with the Soviet Union. More significantly, five other Senators joined William Borah of Idaho in calling for American recognition of the Soviet Government.[2] Borah, the leading advocate in the Senate of Soviet recognition, wrote to Secretary of State Stimson in August, 1932, urging him to work for the establishment of American diplomatic relations with the Soviet Union because, Borah said, Moscow and Tokyo were negotiating a treaty of great importance.[3] In his reply to Borah, the Secretary

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[1] DVP, XV, 351-52. The head of the Eastern European Division of the State Department was Robert Kelly, and the Assistant Secretary of State was James Rogers.

[2] These included Senators Bronson Cutting of New York, Key Pittman of Nevada, Robert Wagner of New York, Hiram Johnson of California, and Joseph Robinson of Arkansas.

[3] Letter of Borah to Stimson, August 25, 1932, NA, State Department Files, 861.01/1786.

of State argued that the United States would lose the confidence of Japan if she recognized the Soviet Union, and, as for a treaty between Russia and Japan, the rivalry between these two nations was so intense and their mutual distrust so deep, that it was unlikely that they would be negotiating a treaty of much international significance.[1]

Stimson probably hesitated to move more decisively towards an understanding with the Soviet Union during the spring and summer of 1932 because of the possibility of a Japanese attack on the Russian Far East in mid-1932. The American Ambassador to Japan, Joseph Grew, reported in August, 1932, that Japan was preparing for war but he was still not certain whether the Japanese were going to attack Soviet Russia or intensify their invasion of China.[2] The summer of 1932 passed without an outbreak of hostilities between Russia and Japan, and in the fall of that year, the relations between the two nations improved while those between the United States and Japan declined.

In September, 1932, Tokyo signed a contract with the Soviet State Oil Syndicate that would provide Japan with enough petroleum to make her independent of the Standard and Shell oil interests, and in the following month, Premier Sato announced

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[1]Letter of Stimson to Borah, September 8, 1932, NA, State Department Files, 861.01/1786. Stimson enclosed a memorandum written by Dr. Stanley Hornbeck, the head of the State Department's Division of Far Eastern Affairs; Hornbeck reviewed the arguments for and against American recognition of the Soviet Union, and concluded that Washington should continue to withhold recognition of the Soviet Government.

[2]FRUS: 1932, III, 705.

that his government would seriously consider Moscow's offer of a nonaggression pact if the Soviets would recognize Manchukuo.[1] However, as a result of the American presidential election of 1932, the Soviets' attitude towards Japan stiffened--for they expected that Franklin Roosevelt would recognize the Soviet Union. Shortly after Sato offered to sign a nonaggression pact with Moscow, the Kremlin assured Washington that it would neither recognize Manchukuo nor grant economic concessions in Siberia to Japan.[2]

On January 9, 1933, Stimson went to Hyde Park, New York to confer with President-elect Roosevelt concerning American foreign policy.[3] The only barrier to American recognition of Soviet Russia, he told Roosevelt, was her interference in the internal affairs of other nations.[4] Roosevelt completely concurred with Stimson's views concerning American foreign policy. After receiving Moscow's assurances that it would cease its propaganda activities, the Roosevelt Administration did recognize the Soviet Union on November 16, 1933, and a new phase in American-Soviet relations began.

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[1] DVP, XV, 542-43.

[2] FRUS: 1932, IV, 315.

[3] Stimson refused to support Hoover in the presidential campaign of 1932 and made only one nonpartisan speech at that time on American foreign policy.

[4] Stimson, Diary, entry for January 9, 1933.

PART IV

CONCLUSION

CHAPTER X

THE POLICY OF NONRECOGNITION, SUCCESS OR FAILURE?

Success is the ultimate test of any diplomatic policy, and the policy of nonrecognition was initially very successful: by 1921, Bolshevism had been contained within the borders of Russia, the Soviet state itself had adopted the semi-capitalistic New Economic Policy, and, most significantly of all, American economic interests had begun to penetrate Russia. In their effort to rebuild and reconstruct Russia, the Soviets had granted a large number of important economic concessions to American companies, and they had purchased ever-increasing amounts of American agricultural and industrial machinery during the 1920's. In order to balance their imports from the United States, the Soviets sold large quantities of oil to the Socony-Vacuum Company; this Russian oil enabled the American company to successfully compete with British interests in the markets of Southern Asia and the Middle East. Ironically, American economic penetration of Russia began after the Bolshevik coup d'état.

Despite the Soviet experiment with capitalism during the 1920's the Kremlin still retained control over Russia's foreign trade, banking, and heavy industry. But by withholding political recognition of the Soviet Union, Washington hoped to encourage

the Soviets to give up their control of these important segments of the Russian economy. For their part, the Soviets felt that they would be giving up their avowed aim of industrializing Russia if they surrendered state control of foreign trade.

Washington's hope for a gradual modification of the Soviet system was crushed when Russia's Communist leaders announced the inauguration of the First-Five-Year Plan in the latter part of 1928. In November, 1928, Hoover was elected as the thirty-first president of the United States, and he soon made it clear that his administration would not recognize the Soviet Union. The President perceived that American companies and engineers who aided in the industrialization of Russia were unwittingly aiding a potentially powerful competitor of the United States, a more powerful competitor than both Germany and Japan who lacked adequate reserves of iron ore and petroleum. But the collapse of the American stock market in October, 1929, changed the course of American-Soviet relations and stimulated the movement for the establishment of diplomatic relations with Soviet Russia.

While American exports to Russia continued to increase in 1930, they dropped precipitously during the following two years. Faced with the most serious economic crisis in the history of the United States, the Hoover Administration decided to deal with the depression as a domestic problem and reduce imports, including those from the Soviet Union. The Hoover Administration used the issues of Soviet propaganda activities

and of forced labor in Russia to ben her products from the United States, whereupon, the Soviets transferred many of their industrial orders from American to German manufacturers. Although the depression reduced the need for Russian oil, the majority of American businessmen clamored for the revival of their export trade with Russia, which, they felt, necessitated political recognition of the Soviet Government. However, Hoover was able to resist this demand partly because he had the support of the influential National City Bank of New York City whose Russian property had been nationalized by the Bolsheviks.

In September, 1932, the Kwantung Army launched its invasion of Manchuria, and, shortly thereafter, Tokyo began to drive American business firms, including the National City Bank, out of Manchuria. But this was only the beginning of Japan's imperial expansion in China; her invasion of Manchuria was quickly followed by an attack on Shanghai, the major center of American economic activity in China. The National City Bank then reconsidered the Kremlin's offer to negotiate the Russian debt question, and it too urged American recognition of the Soviet Government.

Hoover was still unmoved and he continued to insist that the establishment of diplomatic relations with Moscow would neither check Japanese expansion in China nor resolve any of the basic difficulties in American-Soviet relations. Furthermore, he said, the communists and not Japan were America's basic enemy in the Far East; subsequent events were to prove that Hoover was

correct. In violation of the treaty which established diplomatic relations between Moscow and Washington in November, 1933, the Soviet Government continued to permit the Third International to disseminate propaganda, still maintaining that it was an entirely independent organization over which the Kremlin exercised no authority.[1]

The United States was also disappointed in the size of American exports to Russia after the establishment of diplomatic relations between the two nations.[2] In December, 1933, Litvinov told William Bullitt, the first American Ambassador to the Soviet Union, that if America wanted to establish an annual trade of more than 60 million dollars with Russia, then the Roosevelt Administration would have to grant long-term credit to the Soviets. Furthermore, Litvinov suggested that the United States should import a sufficient amount of Russian goods each year to cover the interest payments and the amortization of American loans to the Soviets.[3] At a press conference held in February, 1934, President Roosevelt announced that the United States did intend to organize loans to Soviet Russia but not in the form of straight credit and Congress supported the President's policy; in the spring of 1934, it passed the Johnson

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[1] FRUS: The Soviet Union, 1933-1939, pp. 28, 221.

[2] American companies exported goods worth $8,977,307 in 1933, and $14,866,515 in 1934, but these figures were nowhere near those of 1929 and 1930.

[3] FRUS: The Soviet Union, 1933-1939, p. 62. Early in 1934, the Soviets had received a large loan from Sweden, and they expected that the United States would follow the Swedish example.

Bill which prohibited loans to any government which had defaulted in their debts owed to the United States. Consequently, as she had done before American recognition, Russia continued to make immediate payment for her imports from the United States. In November, 1936, three years after the establishment of Soviet-American diplomatic relations, the American Embassy in Moscow reported that the Soviets were deeply disappointed with Washington's refusal to grant them long-term credit and to sign a general commercial treaty with the Soviet Government.[1]

The Soviets thought that Washington's attitude towards the question of the Russian debts was equally unreasonable and discriminatory. When Ambassador Bullitt warned Litvinov in June, 1934, that Russia's failure to pay her debts to the United States "might terminate the possibility of close collaboration" between the two nations, Litvinov pointed out that both Great Britain and Germany had defaulted on their American debts.[2] Furthermore, he brought up the old Bolshevik argument that the Soviet Union was not responsible for Russia's pre-revolutionary debts.[3] Subsequent talks between Bullitt and Litvinov over this question were equally unsatisfactory, and their failure contributed to Bullitt's later hostility towards the Soviet Union.

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[1]The Kremlin had hoped that Washington would sign a treaty which would both recognize Soviet Russia's peculiar economic system, and grant her the status of a most-favored nation.

[2]Ibid., p. 108.

[3]One month later, in June, 1934, Litvinov again pointed out to Bullitt that these two nations, as well as others, had defaulted on their American debts.

Part of the difficulty in settling the question of the Russian debts and the related one of granting long-term credit to the Soviets lay in the lax terms of the agreement which had established diplomatic relations between the United States and the Soviet Union. The Soviet Foreign Minister, Maxim Litvinov, and President Roosevelt had agreed that the Soviet Government would pay the United States an amount of money of anywhere between 75 million and 150 million dollars, the exact amount to be established during future negotiations. During these negotiations, the Roosevelt Administration insisted on direct and immediate payments from the Soviets while the Soviets wanted to work out a plan similar to the one which they had concluded with the General Electric Company in 1928.[1] Although the Soviets did achieve a better balance of trade with the United States after November, 1933, the problems of the Russian debts, Soviet propaganda, and American long-term credit to Russia remained unsolved even after the establishment of diplomatic relations between the United States and the Soviet Union.

American recognition of the Soviet Union also failed to curb Japanese expansion in Asia. The situation in the Far East became so serious in 1933 that President Roosevelt seriously discussed the possibility of a war with Japan at the second meeting of his Cabinet.[2] For their part, the Soviets expected

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[1]The Soviets claimed that they needed all their capital reserves to carry out the industrilization of Russia.

[2]James M. Burns, Roosevelt: The Lion and the Fox (New York: Harcourt, Brace and Co., 1956), p. 176.

a Japanese attack on the Russian Far East during December, 1933, only one month after the United States had recognized the Soviet Government.[1] The establishment of diplomatic relations between Moscow and Washington also failed to lead to an entente between the two governments. When Stalin asked the United States, in December, 1933, for old steel rails to doubletrack the Trans-Siberian Railway, Washington rejected this request on the ground that such a transaction would antagonize Japan.[2] The Kremlin, too, was fearful of antagonizing Tokyo and hoped that the Japanese military forces would move to the south rather than towards Northern Asia. With this in mind, the Soviets granted Japan additional oil concessions in Northern Sakhalin in April, 1936; these concessions provided petroleum supplies for the Japanese Navy and strengthened the position of those Japanese leaders who advocated expansion towards the Southern Pacific area.[3]

Although the Kremlin had clearly indicated that it would yield, whenever possible, to Tokyo's wishes, Japan signed the Anti-Comintern Pact with Nazi Germany on November 25, 1936.

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[1] Karlheinz Niclauss, Die Sowjetunion und Hitlers Machtgreifung: Eine Studie über die deutsch-russischen Beziehungen der Jahre 1929 bis 1935 (The Soviet Union and Hitler's Coup d'etat) (Bonn: Ludwig Röhrscheid, 1966), p. 156.

[2] FRUS: The Soviet Union, 1933-1939, p.59.

[3] Ibid., 1936, IV, 254. In the same month that the Soviets granted these oil concessions in Northern Sakhalin to Japan, Ambassador Grew reported from Tokyo that the Japanese Ambassador to Great Britain had told him that the Japanese leaders who advocated expansion towards the South Pacific would prevail over those who advocated expansion towards Siberia. Ibid., p. 134.

Publicly, the Pact provided for German-Japanese cooperation against the internal threat of communism within both countries, but actually it was directed against the external policy of the Soviet Union because it secretly provided for German-Japanese cooperation in the event of a Soviet attack on either country. Assured of German pressure on European Russia, Tokyo felt free to pursue its goals in the Southern Pacific area.

On December 7, 1941, Japanese naval and air forces attacked the American base at Pearl Harbor, Hawaii, a development which Hoover had foreseen and feared. After four years of a bloody war which ended with the atomic bombing of two Japanese cities, Japan was forced to relinquish her empire in China, but this only paved the way for a Communist victory there and the flight of the Nationalist Government to Taiwan. The triumph of Mao Tse-tung's forces represented a far more serious development for the United States in Asia than the Japanese invasion of Eastern China. Communist China has sought to extend its national and revolutionary influence throughout Eastern Asia, and to meet this challenge from Peking, the United States had become involved in two land wars on the Asian mainland--in Korea and in Viet Nam. History may yet prove Hoover to have been the wiser statesman than Stimson in regard to the American role in Eastern Asia.

Although Hoover perceived that the communists and not Japan were the major threat to America in Asia, he did not foresee the disastrous consequences of building Germany as the bulwark against Bolshevism in Europe, and this was the most

tragic result of the policy of nonrecognition. While Washington certainly did not create the Nazi movement, American investments in Germany's industries during the 1920's encouraged the government at Berlin to again conspire to establish its control over all of Europe. At the same time that American banks were investing millions of dollars in Germany, Washington refused to reestablish the pre-World War I pattern of American-Russian trade whereby German businessmen served as middlemen for American products designated for export to Russia. The United States, in part, excluded Germany from her market in Eastern Europe and tied her to the American economy. When the American stock market collapsed in October, 1929, the German economy collapsed too, and this stimulated the growth of the communists and the extreme nationalists who spoke of building a new German empire on the soil of Eastern Europe.

On the other hand, only Germany, among the nations of Europe, could balance the economic and political power of Soviet Russia and prevent Europe from being engulfed by Bolshevism.[1] Even after her defeat in World War I, Germany was still the most industrialized of the European nations, and the second most populous European nation with a highly disciplined and skilled working force. Because of these factors and because of the modernization of German industry, it was highly profitable for

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[1]Initially, the Harding Administration had looked to Poland as the bulwark against Bolshevism in Europe, but her internal disunity and external weakness soon became apparent to Washington.

American business interests to invest in Germany during the 1920's.[1] After Hitler had become the German Chancellor and had begun to rearm Germany, American money continued to flow there, much of which was invested in the German armaments industry. However, American relations with Nazi Germany, like those with Soviet Russia, were plagued by the debt question stemming from the large loans and investments made by American banks in Germany during the period of the Weimar Republic.

In September, 1933, Henry Mann, of the National City Bank of New York City, told the American Ambassador to Germany, that he and Winthrop Aldrich, the Vice-President of Chase National Bank, had spoken with Hitler in August, 1933. As a result of their conversation with the German Chancellor, the American bankers felt that they could work with him in spite of his attitudes towards the Jews, international relations, and the German people.[2] As early as 1934, it had become evident to the American Ambassador in Berlin that Nazi Germany did not intend to repay the debts of the Weimar Republic; he so informed representatives of the National City and Chase National banks, much as he disliked, to see them lose the valuable German copper, meat, and cotton markets.

While American financial institutions faced important

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[1]Even Franklin D. Roosevelt held investments in Germany during the 1920's. McGregor, Roosevelt: The Lion and The Fox, p. 84.

[2]William E. Dodd Jr. and Martha Dodd (eds.), Ambassador Dodd's Diary, 1933-1938 (New York: Harcourt, Brace, and Company, 1941), p. 151.

losses on their loans to Germany, American industrial corporations reaped huge profits from their business transactions with Germany.[1] The Standard Oil Company of New Jersey, for example, shipped large quantities of oil to Hamburg in exchange for fifteen tankers, while Standard Oil of New York explored Germany's oil resources and built a large refinery near Hamburg. Lacking domestic oil supplies, Germany's chemists tried to manufacture oil and gas out of brown coal for military purposes; in December, 1933, Standard Oil of New York contributed two million dollars for this enterprise, and eventually reaped an annual profit of 500 thousand dollars from this investment.[2]

Although the Roosevelt Administration officially disapproved of Hitler's rearmament policy, American companies became deeply involved in the German armaments industry. The American Ambassador to Germany, William Dodd, wrote to President Roosevelt in October, 1936 that more than a hundred American corporations had subsidiaries in Germany or had agreements with German firms. The I. E. DuPont Company alone, he said, had signed agreements with three German firms which were involved in the manufacture of weapons.[3] Hitler's public works and armaments programs had temporarily eradicated unemployment in

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[1] In the period 1933-1938, American trade with Germany greatly increased over that of 1929-1933.

[2] Edgar B. Nixon (ed.), Franklin D. Roosevelt and Foreign Affairs (Cambridge: Belknap Press, 1969), III, 455.

[3] Arnold A. Offner, American Appeasement: United States Foreign Policy and Germany, 1933-1938 (Cambridge: Belknap Press, 1969), p. 102.

Germany, but what would Berlin do, Dodd asked President Roosevelt, after all the superhighways had been built to Germany's frontiers, and three to four million men put out of work as a consequence of this? Saddled with its American debts and mass unemployment, Hitler's government would either fall or go to war, and Dodd thought that the latter course could be the more likely.

American involvement in the economy of Nazi Germany limited the policies of the Roosevelt Administration in dealing with the government at Berlin. American companies had sold an amount of oil to Germany in 1934 valued at 12 million dollars, and by 1938, their sales to Germany reached 34 million dollars; thereby, the United States, along with Russia, Rumania, and Mexico, became a major supplier of petroleum to the German armed forces. Furthermore, America's largest automobile firm, the General Motors Corporation, opened new markets for its German subsidiary, the Opel Auto Works, and in 1939, a General Motors official criticized Secretary of State Hull for having rejected Berlin's offer to establish a bilateral trade agreement with the United States.[1]

Several American corporations not only ignored the State Department's policy concerning trade with Germany, but resorted to illegal practices. The DuPont Company and Union Carbide and Carbon entered into restrictive agreements with certain German corporations whereby the American companies agreed not to produce certain critical chemical and metal

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[1] Ibid.

products, and Standard Oil of New Jersey reached a similar agreement with the I. G. Farben Company, in return for which the latter agreed not to develop a high-grade gasoline from inexpensive materials.[1]

In the final assessment, the policy of permitting massive American investments in the German economy, and of building Germany as the bulwark against Bolshevism in Europe, proved to be disastrous: under Hitler's leadership, Germany became the strongest land power in Europe and began to assert her economic strength in Western Europe, in the Middle East, and in Latin America as well as in Eastern Europe. The Nazis were defeated by a coalition of the Western Powers and the Soviet Union, but before Berlin fell to the victorious Allies in 1945, millions of Europeans had been killed and much of Europe devastated. The victorious Red Army enabled the local Communist parties to take power in all of the states of Eastern Europe, as a direct result of Hitler's crusade against the Soviet Union, and an indirect result of Washington's policy of building Germany as the bulwark against Bolshevism, a policy which had been defined in the early 1920's.

Thus it can be seen from the perspective of time that despite an official policy of nonrecognition, the United States could not help but become deeply involved in the international

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[1] Ibid. Offner wrote too that Standard of New Jersey refused to develop a high-octane gasoline for the American Army because it would not allow Standard to transmit reports of a technical nature to I. G. Farben, as their agreement of 1929 had provided.

struggle for power that was emerging in the 1920's and 1930's. In having chosen not to recognize the Soviet Union, Washington chose to build Germany as the bulwark against Bolshevism, and this had dire consequences for European civilization. Furthermore, the attempts of the United States to contain Japan in Eastern Asia created a vacuum into which the communists could move and this was a far greater challenge to American economic and political power in Asia than Tokyo's schemes of expansion in Siberia and China.

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APPROVAL SHEET

The dissertation submitted by David G. Singer has been read and approved by members of the Department of History.

The final copies have been examined by the director of the dissertation and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the dissertation is now given final approval with reference to content and form.

The dissertation is therefore accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

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Date

Ethel Elaine Morgan
Signature of Advisor